
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 000-29472

AMKOR TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

23-1722724
*(I.R.S. Employer
Identification Number)*

2045 East Innovation Circle
Tempe, AZ 85284
(Address of principal executive offices and zip code)

(480) 821-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's Common Stock as of July 29, 2016 was 237,407,978.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2016

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This report contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: (1) the amount, timing and focus of our expected capital investments in 2016 including expenditures in support of customer demand in the mobile communications market and expenditures related to our K5 factory and research and development facility in Korea ("K5"), (2) our ability to fund our operating activities for the next twelve months, (3) the effect of changes in capacity utilization on our gross margin, (4) the focus of our research and development activities, (5) the expiration of tax holidays in jurisdictions in which we operate and expectations regarding our effective tax rate and the availability of tax incentives, (6) the creation or release of valuation allowances related to taxes in the future, (7) our repurchase or repayment of outstanding debt or the conversion of debt in the future, (8) payment of dividends, (9) compliance with our covenants, (10) expected contributions to foreign pension plans, (11) liability for unrecognized tax benefits and the potential impact of our unrecognized tax benefits on our effective tax rate, (12) the effect of foreign currency exchange rate exposure on our financial results, (13) the volatility of the trading price of our common stock, (14) changes to our internal controls related to integration of acquired operations and implementation of an enterprise resource planning ("ERP") system, (15) our efforts to enlarge our customer base in certain geographic areas and markets, (16) demand for advanced packages in mobile devices and our technology leadership and potential growth in this market and (17) our expected forfeiture rate for outstanding stock options and restricted shares, (18) our expected rate of return for pension plan assets, (19) the impact of the recent earthquakes in Kumamoto, Japan, (20) our expectations regarding improving market conditions in the second half of 2016 related to the launch of new devices in the smartphone market and (21) other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "intend" or the negative of these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of various factors, including those set forth in the following report as well as in Part II, Item 1A of this Quarterly Report on Form 10-Q.

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

AMKOR TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net sales	\$ 917,326	\$ 736,722	\$ 1,786,008	\$ 1,479,597
Cost of sales	785,720	621,624	1,531,518	1,229,552
Gross profit	131,606	115,098	254,490	250,045
Selling, general and administrative	70,896	56,435	144,531	119,377
Research and development	30,168	20,020	57,323	38,046
Total operating expenses	101,064	76,455	201,854	157,423
Operating income	30,542	38,643	52,636	92,622
Interest expense	20,816	22,845	37,008	46,622
Interest expense, related party	1,242	1,242	2,484	2,484
Other (income) expense, net	(242)	7,290	2,950	6,792
Total other expense, net	21,816	31,377	42,442	55,898
Income before taxes and equity in earnings of unconsolidated affiliate	8,726	7,266	10,194	36,724
Income tax expense	3,360	4,631	5,233	10,630
Income before equity in earnings of unconsolidated affiliate	5,366	2,635	4,961	26,094
Equity in earnings of J-Devices	—	5,315	—	9,370
Net income	5,366	7,950	4,961	35,464
Net income attributable to non-controlling interests	(653)	(623)	(1,123)	(1,539)
Net income attributable to Amkor	\$ 4,713	\$ 7,327	\$ 3,838	\$ 33,925
Net income attributable to Amkor per common share:				
Basic	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.14
Diluted	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.14
Shares used in computing per common share amounts:				
Basic	237,090	236,840	237,058	236,774
Diluted	237,434	237,321	237,297	237,366

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Net income	\$ 5,366	\$ 7,950	\$ 4,961	\$ 35,464
Other comprehensive income (loss), net of tax:				
Adjustments to unrealized components of defined benefit pension plans, net of tax	23	22	47	44
Foreign currency translation	26,955	10	46,278	(112)
Equity interest in J-Devices' other comprehensive loss, net of tax	—	(5,245)	—	(3,885)
Total other comprehensive income (loss)	26,978	(5,213)	46,325	(3,953)
Comprehensive income	32,344	2,737	51,286	31,511
Comprehensive income attributable to non-controlling interests	(653)	(623)	(1,123)	(1,539)
Comprehensive income attributable to Amkor	<u>\$ 31,691</u>	<u>\$ 2,114</u>	<u>\$ 50,163</u>	<u>\$ 29,972</u>

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2016	December 31, 2015
(In thousands, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 499,320	\$ 523,172
Restricted cash	2,000	2,000
Accounts receivable, net of allowances	579,794	526,143
Inventories	251,627	238,205
Other current assets	29,786	27,960
Total current assets	1,362,527	1,317,480
Property, plant and equipment, net	2,625,123	2,579,017
Goodwill	27,417	23,409
Restricted cash	2,320	2,176
Other assets	103,461	104,346
Total assets	\$ 4,120,848	\$ 4,026,428
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 96,215	\$ 76,770
Trade accounts payable	465,113	434,222
Capital expenditures payable	174,758	242,980
Accrued expenses	300,758	264,212
Total current liabilities	1,036,844	1,018,184
Long-term debt	1,465,504	1,435,269
Long-term debt, related party	75,000	75,000
Pension and severance obligations	180,608	167,197
Other non-current liabilities	92,892	113,242
Total liabilities	2,850,848	2,808,892
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized, designated Series A, none issued	—	—
Common stock, \$0.001 par value, 500,000 shares authorized, 282,902 and 282,724 shares issued, and 237,141 and 237,005 shares outstanding, in 2016 and 2015, respectively	283	283
Additional paid-in capital	1,885,278	1,883,592
Accumulated deficit	(463,909)	(467,747)
Accumulated other comprehensive income (loss)	44,241	(2,084)
Treasury stock, at cost, 45,761 and 45,719 shares in 2016 and 2015, respectively	(213,996)	(213,758)
Total Amkor stockholders' equity	1,251,897	1,200,286
Non-controlling interests in subsidiaries	18,103	17,250
Total equity	1,270,000	1,217,536
Total liabilities and equity	\$ 4,120,848	\$ 4,026,428

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 4,961	\$ 35,464
Depreciation and amortization	275,241	248,716
Loss on debt retirement	—	2,530
Other operating activities and non-cash items	(6,177)	(9,745)
Changes in assets and liabilities	(826)	(48,684)
Net cash provided by operating activities	<u>273,199</u>	<u>228,281</u>
Cash flows from investing activities:		
Payments for property, plant and equipment	(355,974)	(194,360)
Proceeds from sale of property, plant and equipment	593	4,069
Cash received on sale of subsidiary to J-Devices, net	—	8,355
Investment in J-Devices	—	(12,908)
Other investing activities	(974)	(1,315)
Net cash used in investing activities	<u>(356,355)</u>	<u>(196,159)</u>
Cash flows from financing activities:		
Borrowings under revolving credit facilities	115,000	180,000
Payments under revolving credit facilities	(100,000)	(30,000)
Borrowings under short-term debt	24,630	—
Payments of short-term debt	(23,035)	—
Proceeds from issuance of long-term debt	34,000	340,000
Payments of long-term debt	(8,582)	(530,000)
Payments for debt issuance costs	(156)	—
Payments for capital lease obligations	(887)	—
Proceeds from the issuance of stock through share-based compensation plans	60	656
Payments of tax withholding for restricted shares	(238)	(427)
Payments of subsidiary dividends to non-controlling interests	(270)	—
Net cash provided by (used in) financing activities	<u>40,522</u>	<u>(39,771)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	18,782	—
Net decrease in cash and cash equivalents	(23,852)	(7,649)
Cash and cash equivalents, beginning of period	523,172	449,946
Cash and cash equivalents, end of period	<u>\$ 499,320</u>	<u>\$ 442,297</u>
Non cash investing and financing activities:		
Property, plant and equipment included in capital expenditures payable	\$ 174,758	\$ 210,319

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Statements

Basis of Presentation. The Consolidated Financial Statements and related disclosures as of June 30, 2016, and for the three and six months ended June 30, 2016 and 2015, are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The December 31, 2015, Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S."). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair statement of the results for the interim periods. These financial statements should be read in conjunction with the financial statements included in our Annual Report for the year ended December 31, 2015, filed on Form 10-K with the SEC on February 22, 2016. The results of operations for the three and six months ended June 30, 2016, are not necessarily indicative of the results to be expected for the full year. Unless the context otherwise requires, all references to "Amkor," "we," "us," "our" or the "company" are to Amkor Technology, Inc. and our subsidiaries.

On December 30, 2015, we increased our ownership in J-Devices to 100% (Note 3). As a result, our accounting for J-Devices changed from the equity method to the consolidation method effective December 30, 2015. The operating results of J-Devices were consolidated beginning in 2016.

Revision to Previously Reported Financial Information. In the second quarter of 2016, during our post-acquisition integration of J-Devices, we identified an error in the provision for income taxes in the financial statements for J-Devices for the periods beginning in 2012 through the fourth quarter of 2015. During those periods we did not control J-Devices and, accordingly, we accounted for our investment in J-Devices using the equity method. As a result of the J-Devices error, our equity in earnings of J-Devices was overstated by the cumulative amount of \$8.0 million. We believe that the error is not material to Amkor for the periods impacted and have elected to revise our previously issued consolidated financial statements. We have also recorded the impact of the revision in our purchase accounting for the acquisition of J-Devices on December 30, 2015. Periods presented herein are based on the revised financial results. See Note 17 for additional information.

Use of Estimates. The Consolidated Financial Statements have been prepared in conformity with U.S. GAAP, using management's best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments.

Goodwill. The balance of goodwill in our Consolidated Balance Sheets reflects adjustments for foreign currency translation.

2. New Accounting Standards

Recently Adopted Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, *Interest-Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, *Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)*, which clarifies that companies may continue to present unamortized debt issuance costs associated with line of credit arrangements as an asset. ASU 2015-03 and ASU 2015-15 are effective for interim and annual reporting periods beginning after December 15, 2015, and require retrospective application. We adopted ASU 2015-03 and ASU 2015-15 on January 1, 2016. The guidance was applied retrospectively and the consolidated balance

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

sheet as of December 31, 2015 was adjusted to reclassify \$8.8 million of debt issuance costs from other assets to a reduction in the carrying amount of the related debt liability.

Recently Issued Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and changes in judgments. ASU 2014-09 permits the use of either full retrospective or modified retrospective methods of adoption. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date by one year to December 15, 2017, for interim and annual reporting periods beginning after that date. In March, April and May 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, respectively, which provide supplemental guidance and clarification to ASU 2014-09. Early adoption is permitted, but not before the original effective date of December 15, 2016. We are currently evaluating the method of adoption and the impact that this guidance will have on our financial statements and disclosure.

In July 2015, the FASB issued ASU 2015-11, *Inventory - Simplifying the Measurement of Inventory (Topic 330)*. ASU 2015-11 requires inventory to be subsequently measured using the lower of cost and net realizable value, thereby eliminating the market value approach. Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 and is applied prospectively. Early adoption is permitted. ASU 2015-11 is not expected to have a significant impact on our financial statements or disclosure.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases the lessee would recognize a straight-line lease expense. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018, including interim periods within those fiscal years, using a modified retrospective approach. Early adoption is permitted. We are currently evaluating the impact that this guidance will have on our financial statements and disclosure.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 involves several aspects of the accounting for share-based transactions, including income tax consequences, classification of awards as either equity or liabilities, forfeitures and classification on the statement of cash flows. ASU 2016-09 is effective for reporting periods beginning after December 15, 2016 and early adoption is permitted. ASU 2016-09 is not expected to have a significant impact on our financial statements.

3. Acquisition

Acquisition of J-Devices

Through the exercise of additional options, on December 30, 2015, we increased our ownership interest in J-Devices from 65.7% to 100% for a purchase price of \$105.4 million.

The governance provisions applicable to J-Devices before we acquired our 100% interest restricted our ability, even with our majority ownership, to cause J-Devices to take certain actions without the consent of the other investors. Accordingly, prior to December 30, 2015, we accounted for our investment in J-Devices using the equity method of accounting. Upon

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AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

the increase in our ownership interest to 100% on December 30, 2015, the governance restrictions lapsed and, accordingly, we changed our accounting for J-Devices to the consolidation method effective December 30, 2015.

During the three months ended June 30, 2016, we updated the purchase price allocation of J-Devices for a previously unrecognized tax provision liability at J-Devices of \$11.6 million. See Note 1 and 17 for additional information.

The following table presents the initial purchase price allocation and subsequent adjustments:

	Initial Allocation	Adjustments	Revised Allocation
	(In thousands)		
Fair value of consideration transferred:			
Cash	\$ 105,391	\$ —	\$ 105,391
Fair value of our previously held equity interest in J-Devices	167,684	(7,597)	160,087
Total	<u>\$ 273,075</u>	<u>\$ (7,597)</u>	<u>\$ 265,478</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash	\$ 127,968	\$ —	\$ 127,968
Accounts receivable	180,177	—	180,177
Inventory	42,502	—	42,502
Other current assets	2,363	—	2,363
Property, plant and equipment	230,319	—	230,319
Other assets	9,268	—	9,268
Short-term borrowings and current portion of long-term debt	(36,770)	—	(36,770)
Other current liabilities	(251,405)	—	(251,405)
Long-term debt	(18,885)	—	(18,885)
Pension obligations	(22,250)	—	(22,250)
Other non-current liabilities	(9,655)	(11,563)	(21,218)
Total identifiable net assets	<u>253,632</u>	<u>(11,563)</u>	<u>242,069</u>
Goodwill	19,443	3,966	23,409
Total	<u>\$ 273,075</u>	<u>\$ (7,597)</u>	<u>\$ 265,478</u>

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

4. Share-Based Compensation Plans

The following table summarizes our share-based compensation expense attributable to stock options and restricted shares:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Share-based compensation expense	\$ 821	\$ 878	\$ 1,626	\$ 2,248

We recognized our share-based compensation costs primarily in selling, general and administrative expenses. There were no corresponding deferred income tax benefits for stock options or restricted shares.

Stock Options

The following table summarizes our stock option activity for the six months ended June 30, 2016:

	Number of Shares (In thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2015	3,727	\$ 6.49		
Granted	340	5.04		
Exercised	(14)	4.28		
Forfeited or expired	(239)	6.91		
Outstanding at June 30, 2016	3,814	\$ 6.35	6.06	\$ 2,743
Fully vested at June 30, 2016 and expected to vest thereafter	3,780	\$ 6.35	6.04	\$ 2,718
Exercisable at June 30, 2016	2,735	\$ 6.74	5.15	\$ 1,860

The following assumptions were used to calculate the weighted average fair values of the options granted:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Expected life (in years)	7.6	5.5	6.7	5.7
Risk-free interest rate	1.7%	1.8%	1.6%	1.8%
Volatility	56%	43%	49%	46%
Dividend yield	—	—	—	—
Weighted average grant date fair value per option granted	\$ 3.32	\$ 2.83	\$ 2.56	\$ 3.48

Total unrecognized compensation expense from stock options was \$2.6 million as of June 30, 2016, which is expected to be recognized over a weighted-average period of approximately 2.0 years beginning July 1, 2016.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Restricted Shares

The following table summarizes our restricted share activity for the six months ended June 30, 2016:

	Number of Shares (In thousands)	Weighted Average Grant-Date Fair Value (Per share)
Non-vested at December 31, 2015	385	\$ 4.78
Awards granted	50	5.66
Awards vested	(165)	5.06
Awards forfeited	(3)	4.43
Non-vested at June 30, 2016	267	\$ 4.77

Total unrecognized compensation cost from restricted shares was \$1.0 million as of June 30, 2016, which is expected to be recognized over a weighted average period of approximately 0.8 years beginning July 1, 2016.

5. Other Income and Expense

Other income and expense consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Interest income	\$ (295)	\$ (690)	\$ (699)	\$ (1,673)
Foreign currency (gain) loss, net	759	(1,459)	4,382	(1,252)
Loss on debt retirement	—	9,349	—	9,560
Other (income) expense, net	(706)	90	(733)	157
Total other (income) expense, net	\$ (242)	\$ 7,290	\$ 2,950	\$ 6,792

6. Income Taxes

Our income tax expense of \$5.2 million for the six months ended June 30, 2016 primarily reflects income taxes at certain of our foreign operations and foreign withholding taxes. Our income tax expense also reflects income taxed in foreign jurisdictions where we benefit from tax holidays.

We monitor on an ongoing basis our ability to utilize our deferred tax assets and whether there is a need for a related valuation allowance. In evaluating our ability to recover our deferred tax assets in the jurisdictions from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. For most of our foreign deferred tax assets, we consider it more likely than not that we will have sufficient taxable income to allow us to realize these deferred tax assets. A significant amount of our net deferred tax assets relate to our operations in Korea. At this time, we consider it more likely than not we will have sufficient taxable income in the future that will allow us to realize these deferred tax assets. However, it is possible that some or all of our Korean net operating loss carryforwards could ultimately expire unused, in the event future taxable income falls short of our current expectations. If our assessment of the recoverability of Korean deferred tax assets changes in the future, we may need to establish a valuation allowance against such deferred tax assets.

We maintain a valuation allowance on all of our U.S. net deferred tax assets, including our net operating loss carryforwards. Such valuation allowances are released as the related tax benefits are realized or when sufficient evidence exists to conclude that it is more likely than not that the deferred tax assets will be realized.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Unrecognized tax benefits represent reserves for potential tax deficiencies or reductions in tax benefits that could result from federal, state or foreign tax audits. Our gross unrecognized tax benefits increased from \$23.3 million at December 31, 2015, to \$26.2 million as of June 30, 2016. Most of our unrecognized tax benefits would reduce our effective tax rate, if recognized. Our unrecognized tax benefits are subject to change for effective settlement of examinations, changes in the recognition threshold of tax positions, the expiration of statutes of limitations and other factors. Tax return examinations involve uncertainties, and there can be no assurance that the outcome of examinations will be favorable.

7. Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income attributable to Amkor common stockholders by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding includes restricted shares held by retirement eligible recipients and is reduced for treasury stock.

Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding stock options and unvested restricted shares. The following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net income attributable to Amkor	\$ 4,713	\$ 7,327	\$ 3,838	\$ 33,925
Income allocated to participating securities	—	(16)	—	(75)
Net income available to Amkor common stockholders	<u>\$ 4,713</u>	<u>\$ 7,311</u>	<u>\$ 3,838</u>	<u>\$ 33,850</u>
Weighted average shares outstanding — basic	237,090	236,840	237,058	236,774
Effect of dilutive securities:				
Stock options and restricted share awards	344	481	239	592
Weighted average shares outstanding — diluted	<u>237,434</u>	<u>237,321</u>	<u>237,297</u>	<u>237,366</u>
Net income attributable to Amkor per common share:				
Basic	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.14
Diluted	0.02	0.03	0.02	0.14

The following table summarizes the potential shares of common stock that were excluded from diluted EPS, because the effect of including these potential shares was anti-dilutive:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Stock options and restricted share awards	2,005	1,718	2,025	1,594

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

8. Equity and Accumulated Other Comprehensive Income (Loss)

The following tables reflect the changes in equity attributable to both Amkor and the non-controlling interests:

	Attributable to Amkor	Attributable to Non-controlling Interests	Total
	(In thousands)		
Equity at December 31, 2015	\$ 1,200,286	\$ 17,250	\$ 1,217,536
Net income	3,838	1,123	4,961
Other comprehensive income	46,325	—	46,325
Issuance of stock through employee share-based compensation plans	60	—	60
Treasury stock acquired through surrender of shares for tax withholding	(238)	—	(238)
Share-based compensation	1,626	—	1,626
Subsidiary dividends paid to non-controlling interests	—	(270)	(270)
Equity at June 30, 2016	<u>\$ 1,251,897</u>	<u>\$ 18,103</u>	<u>\$ 1,270,000</u>
	Attributable to Amkor	Attributable to Non-controlling Interests	Total
	(In thousands)		
Equity at December 31, 2014	\$ 1,114,748	\$ 14,701	\$ 1,129,449
Net income	33,925	1,539	35,464
Other comprehensive loss	(3,953)	—	(3,953)
Issuance of stock through employee share-based compensation plans	656	—	656
Treasury stock acquired through surrender of shares for tax withholding	(427)	—	(427)
Share-based compensation	2,248	—	2,248
Equity at June 30, 2015	<u>\$ 1,147,197</u>	<u>\$ 16,240</u>	<u>\$ 1,163,437</u>

The following tables reflect the changes in accumulated other comprehensive income (loss), net of tax:

	Defined Benefit Pension	Foreign Currency Translation	Total
	(In thousands)		
Accumulated other comprehensive loss at December 31, 2015	\$ (1,425)	\$ (659)	\$ (2,084)
Other comprehensive income before reclassifications	—	46,278	46,278
Amounts reclassified from accumulated other comprehensive loss	47	—	47
Other comprehensive income	47	46,278	46,325
Accumulated other comprehensive income (loss) at June 30, 2016	<u>\$ (1,378)</u>	<u>\$ 45,619</u>	<u>\$ 44,241</u>

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

	Defined Benefit Pension	Foreign Currency Translation	Equity Interest in J- Devices' Other Comprehensive Income (Loss)	Total
(In thousands)				
Accumulated other comprehensive loss at December 31, 2014	\$ (2,525)	\$ (513)	\$ (29,433)	\$ (32,471)
Other comprehensive loss before reclassifications	—	(112)	(3,885)	(3,997)
Amounts reclassified from accumulated other comprehensive loss	44	—	—	44
Other comprehensive income (loss)	44	(112)	(3,885)	(3,953)
Accumulated other comprehensive loss at June 30, 2015	<u>\$ (2,481)</u>	<u>\$ (625)</u>	<u>\$ (33,318)</u>	<u>\$ (36,424)</u>

Amounts reclassified out of accumulated other comprehensive income (loss) are included as a component of net periodic pension cost (Note 14).

9. Factoring of Accounts Receivable

In certain foreign locations, we use non-recourse factoring arrangements with third party financial institutions to manage our working capital and cash flows. Under this program, we sell receivables to a financial institution for cash at a discount to the face amount. As part of the factoring arrangements, we perform certain collection and administrative functions for the receivables sold. For the three and six months ended June 30, 2016, we sold accounts receivable totaling \$131.1 million and \$270.1 million, respectively, for a discount, plus fees, of \$0.5 million and \$0.9 million, respectively. For the three and six months ended June 30, 2015, we sold accounts receivable totaling \$71.6 million and \$152.9 million, respectively, for a discount, plus fees, of \$0.4 million and \$0.8 million, respectively.

10. Inventories

Inventories consist of the following:

	June 30, 2016	December 31, 2015
(In thousands)		
Raw materials and purchased components	\$ 170,195	\$ 163,024
Work-in-process	81,432	75,181
Total inventories	<u>\$ 251,627</u>	<u>\$ 238,205</u>

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

11. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30, 2016	December 31, 2015
(In thousands)		
Land	\$ 245,116	\$ 237,815
Land use rights	26,845	26,845
Buildings and improvements	1,033,875	1,010,201
Machinery and equipment	4,340,987	4,226,401
Software and computer equipment	204,683	197,266
Furniture, fixtures and other equipment	21,708	21,259
Construction in progress	434,891	352,607
Total property, plant and equipment	6,308,105	6,072,394
Less accumulated depreciation and amortization	(3,682,982)	(3,493,377)
Total property, plant and equipment, net	<u>\$ 2,625,123</u>	<u>\$ 2,579,017</u>

The following table summarizes our depreciation expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
(In thousands)				
Depreciation expense	\$ 137,451	\$ 123,730	\$ 273,959	\$ 247,851

As of June 30, 2016 and December 31, 2015, construction in progress reflects \$363.9 million and \$312.1 million, respectively, of costs for K5, including capitalized interest of \$23.0 million and \$18.7 million, respectively.

12. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2016	December 31, 2015
(In thousands)		
Payroll and benefits	\$ 121,421	\$ 95,011
Deferred revenue and customer advances	55,916	49,243
Accrued settlement costs	34,127	32,987
Income taxes payable	21,899	21,448
Accrued severance plan obligations	14,979	14,306
Accrued interest	13,054	12,920
Other accrued expenses	39,362	38,297
Total accrued expenses	<u>\$ 300,758</u>	<u>\$ 264,212</u>

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

13. Debt

Following is a summary of short-term borrowings and long-term debt:

	June 30, 2016	December 31, 2015
	(In thousands)	
Debt of Amkor Technology, Inc.:		
Senior secured credit facilities:		
\$200 million revolving credit facility, LIBOR plus 1.25%-1.75%, due December 2019 (1)	\$ 100,000	\$ 100,000
Senior notes:		
6.625% Senior notes, due June 2021, \$75 million related party	400,000	400,000
6.375% Senior notes, due October 2022	524,971	525,000
Debt of subsidiaries:		
Amkor Technology Korea, Inc.:		
\$100 million revolving credit facility, foreign currency funding-linked base rate plus 1.60%, due June 2017 (2)	55,000	40,000
Term loan, LIBOR plus 2.60%, due May 2018	120,000	120,000
Term loan, LIBOR plus 2.70%, due December 2019	70,000	70,000
Term loan, foreign currency funding-linked base rate plus 1.35%, due May 2020	150,000	150,000
Term loan, foreign currency funding-linked base rate plus 1.35%, due May 2020	80,000	80,000
Term loan, fund floating rate plus 1.60%, due June 2020 (3)	64,000	40,000
J-Devices Corporation:		
Short-term term loans, variable rate (4)	25,267	15,582
Short-term term loans, fixed rate at 0.50%	—	5,808
Term loans, TIBOR plus 1.00%, due November 2016	1,215	2,800
Term loans, fixed rate at 0.53%, due April 2018	29,485	31,465
Amkor Technology Taiwan Ltd:		
Revolving credit facility, TAIFX plus a bank-determined spread, due November 2020 (5)	20,000	10,000
	1,639,938	1,590,655
Less: Unamortized premium and deferred debt costs, net	(3,219)	(3,616)
Less: Short-term borrowings and current portion of long-term debt	(96,215)	(76,770)
Long-term debt (including related party)	\$ 1,540,504	\$ 1,510,269

(1) Our \$200.0 million senior secured revolving credit facility has a letter of credit sub-limit of \$25.0 million. Principal is payable at maturity. Interest is payable monthly in arrears, at LIBOR plus 1.25% to 1.75% (2.25% as of June 30, 2016). As of June 30, 2016, the borrowing base of our revolving credit facility is \$176.0 million, which is adjusted based on the amount of our eligible accounts receivable. Additionally, we had \$0.5 million of standby letters of credit outstanding. As of June 30, 2016, \$75.5 million was available to be drawn.

(2) In June 2012, we entered into a \$41.0 million revolving credit facility. In March 2016, we increased the facility to \$100.0 million. In June 2016, we amended the maturity date to June 2017. Principal is payable at maturity. Interest is due monthly in arrears, at a foreign currency funding-linked base rate plus 1.60% (3.03% as of June 30, 2016). As of June 30, 2016, \$45.0 million was available to be drawn.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

- (3) In May 2015, we entered into a term loan agreement pursuant to which we may borrow up to \$150.0 million through November 2016 for capital expenditures. Principal is payable at maturity. Interest is payable quarterly in arrears, at a fund floating rate plus 1.60% (2.53% as of June 30, 2016). At June 30, 2016, \$86.0 million was available to be borrowed.
- (4) We entered into various short-term term loans which mature semi-annually. Interest is paid monthly, at TIBOR plus 0.30% to 0.38% (weighted average of 0.35% as of June 30, 2016). Principal is payable in monthly installments. As of June 30, 2016, \$5.3 million was available to be drawn.
- (5) In November 2015, we entered into a \$39.0 million revolving credit facility. Principal is payable at maturity. Interest is due monthly, at TAIFX plus a bank determined spread (1.74% as of June 30, 2016). As of June 30, 2016, \$19.0 million was available to be drawn.

Our foreign debt is collateralized by land, buildings and equipment in the respective location. The carrying value of the collateral exceeds the carrying amount of the debt.

The debt of Amkor Technology, Inc. is structurally subordinated in right of payment to all existing and future debt and other liabilities of our subsidiaries. The agreements governing our indebtedness contain a number of affirmative and negative covenants which restrict our ability to pay dividends and could restrict our operations. We have never paid a dividend to our stockholders and we do not have any present plans for doing so. We were in compliance with all of our covenants at June 30, 2016.

14. Pension and Severance Plans

Foreign Defined Benefit Pension Plans

Our subsidiaries in Japan, Korea, Malaysia, the Philippines and Taiwan sponsor defined benefit pension plans. Charges to expense are based upon actuarial analyses. The components of net periodic pension cost for these defined benefit pension plans are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Service cost	\$ 8,490	\$ 1,209	\$ 16,660	\$ 2,428
Interest cost	924	760	1,828	1,526
Expected return on plan assets	(956)	(850)	(1,903)	(1,706)
Amortization of prior service cost	8	8	17	17
Recognized actuarial loss	23	25	47	46
Net periodic pension cost	<u>\$ 8,489</u>	<u>\$ 1,152</u>	<u>\$ 16,649</u>	<u>\$ 2,311</u>

As a result of the adoption of a defined benefit pension plan in Korea beginning on August 1, 2015, and the acquisition of J-Devices on December 30, 2015, our net periodic pension cost has increased from the prior period.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Defined Contribution Pension Plans

We sponsor defined contribution pension plans in Korea, Malaysia, Taiwan and the U.S. The following table summarizes our defined contribution expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Defined contribution expense	\$ 2,231	\$ 2,230	\$ 5,166	\$ 5,124

Korean Severance Plan

Our subsidiary in Korea maintains an unfunded severance plan that covers certain employees that were employed prior to August 1, 2015. To the extent eligible employees are terminated, our subsidiary in Korea would be required to make lump-sum severance payments on behalf of these eligible employees for service provided prior to August 1, 2015. Factors used to determine severance benefits include employees' length of service, seniority and rate of pay. The employees' length of service and seniority are fixed as of July 31, 2015. The employees' rate of pay is adjusted to the rate of pay at the time of termination. Accrued severance benefits are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. Our contributions to the National Pension Plan of the Republic of Korea are deducted from accrued severance benefit liabilities. The provision recorded for severance benefits for each of the three and six months ended June 30, 2016 was \$0.9 million. The provision recorded for severance benefits for the three and six months ended June 30, 2015 was \$9.7 million and \$14.8 million, respectively. On August 1, 2015, our subsidiary in Korea began sponsoring a defined benefit pension plan and a defined contribution plan. For future service benefits, existing employees have the option of choosing either a defined benefit pension plan or a defined contribution plan and new employees will be enrolled in a defined contribution plan.

15. Fair Value Measurements

The accounting framework for determining fair value includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers as follows: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities and Level 3, defined as unobservable inputs that are not corroborated by market data.

The fair values of cash, accounts receivable, trade accounts payable, capital expenditures payable, and certain other current assets and accrued expenses approximate carrying values because of their short-term nature. The carrying value of certain other non-current liabilities approximates fair value. Our assets and liabilities recorded at fair value on a recurring basis include cash equivalent money market funds and restricted cash money market funds. Cash equivalent money market funds and restricted cash money market funds are invested in U.S. money market funds and various U.S. and foreign bank operating and time deposit accounts, which are due on demand or carry a maturity date of less than three months when purchased. No restrictions have been imposed on us regarding withdrawal of balances with respect to our cash equivalents as a result of liquidity or other credit market issues affecting the money market funds we invest in or the counterparty financial institutions holding our deposits. Money market funds are valued using quoted market prices in active markets for identical assets.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Our recurring fair value measurements consist of the following:

	June 30, 2016	December 31, 2015
	(In thousands)	
Cash equivalent money market funds (Level 1)	\$ 129,072	\$ 81,473
Restricted cash money market funds (Level 1)	2,000	2,000

We also measure certain assets and liabilities, including property, plant and equipment and goodwill, at fair value on a nonrecurring basis.

We measure the fair value of our debt for disclosure purposes. The following table presents the fair value of financial instruments that are not recorded at fair value on a recurring basis:

	June 30, 2016		December 31, 2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In thousands)			
Senior notes (Level 1)	\$ 919,771	\$ 921,752	\$ 902,563	\$ 921,384
Revolving credit facilities and term loans (Level 2)	702,696	714,967	664,085	665,655
Total debt	\$ 1,622,467	\$ 1,636,719	\$ 1,566,648	\$ 1,587,039

The estimated fair value of our senior notes is based primarily on quoted market prices reported on or near the respective balance sheet dates. The estimated fair value of our revolving credit facilities and term loans was calculated using a discounted cash flow analysis, which utilized market based assumptions including forward interest rates adjusted for credit risk.

16. Commitments and Contingencies

We have a letter of credit sub-facility of \$25.0 million under our \$200.0 million senior secured revolving credit facility that matures in December 2019. As of June 30, 2016, we had \$0.5 million of standby letters of credit outstanding. Such standby letters of credit are used in the ordinary course of our business and are collateralized by our cash balances.

We generally warrant that our services will be performed in a professional and workmanlike manner and in compliance with our customers' specifications. We accrue costs for known warranty issues. Historically, our warranty costs have been immaterial.

Legal Proceedings

We are involved in claims and legal proceedings and may become involved in other legal matters arising in the ordinary course of our business. We evaluate these claims and legal matters on a case-by-case basis to make a determination as to the impact, if any, on our business, liquidity, results of operations, financial condition or cash flows. Although the outcome of these matters is uncertain, we believe that the ultimate outcome of these claims and proceedings, individually and in the aggregate, will not have a material adverse impact to us. Our evaluation of the potential impact of these claims and legal proceedings on our business, liquidity, results of operations, financial condition or cash flows could change in the future.

In accordance with the accounting guidance for loss contingencies, including legal proceedings, lawsuits, pending claims and other legal matters, we accrue for a loss contingency when we conclude that the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. We adjust our accruals from time to time as we receive additional information, but the loss we incur may be significantly greater than or less than the amount we have accrued. We disclose loss contingencies if we believe they are material and there is at least a reasonable possibility that a loss has been incurred. Attorney fees related to legal matters are expensed as incurred.

AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

17. Revision of Previously Reported Financial Information

In the second quarter of 2016, during our post-acquisition integration of J-Devices, we identified an error in the provision for income taxes in the financial statements for J-Devices for the periods beginning in 2012 through the fourth quarter of 2015. During those periods we did not control J-Devices and, accordingly, we accounted for our investment in J-Devices using the equity method. As a result of the J-Devices error, our equity in earnings of J-Devices was overstated by the cumulative amount of \$8.0 million. We believe that the error is not material to Amkor for the periods impacted and have elected to revise our previously issued consolidated financial statements. We have also recorded the impact of the revision in our purchase accounting for the acquisition of J-Devices on December 30, 2015 (Note 3). Periods presented herein are based on the revised financial results.

The following table presents the effect of the aforementioned revisions on our Consolidated Balance Sheet as of December 31, 2015:

	December 31, 2015		
	As Reported	Adjustments	As Revised
	(In thousands)		
Goodwill	\$ 19,443	\$ 3,966	\$ 23,409
Total assets	4,022,462	3,966	4,026,428
Other non-current liabilities	101,679	11,563	113,242
Total liabilities	2,797,329	11,563	2,808,892
Accumulated deficit	(460,150)	(7,597)	(467,747)
Total Amkor stockholders' equity	1,207,883	(7,597)	1,200,286
Total equity	1,225,133	(7,597)	1,217,536
Total liabilities and equity	4,022,462	3,966	4,026,428

The following table presents the effect of the aforementioned revisions on our Consolidated Statements of Income for the three and six months ended June 30, 2015:

	For the Three Months Ended June 30, 2015			For the Six Months Ended June 30, 2015		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
	(In thousands, except per share data)					
Equity in earnings of J-Devices	\$ 7,566	\$ (2,251)	\$ 5,315	\$ 13,804	\$ (4,434)	\$ 9,370
Net income	10,201	(2,251)	7,950	39,898	(4,434)	35,464
Net income attributable to Amkor	9,578	(2,251)	7,327	38,359	(4,434)	33,925
Net income attributable to Amkor per common share:						
Basic	\$ 0.04	\$ (0.01)	\$ 0.03	\$ 0.16	\$ (0.02)	\$ 0.14
Diluted	0.04	(0.01)	0.03	0.16	(0.02)	0.14

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AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The following tables present the effect of the aforementioned revisions on our Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2015, and the three months ended March 31, 2016:

	For the Three Months Ended June 30, 2015			For the Six Months Ended June 30, 2015		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
	(In thousands)					
Net income	\$ 10,201	\$ (2,251)	\$ 7,950	\$ 39,898	\$ (4,434)	\$ 35,464
Equity interest in J-Devices' other comprehensive loss, net of tax	(5,388)	143	(5,245)	(4,050)	165	(3,885)
Total other comprehensive loss	(5,356)	143	(5,213)	(4,118)	165	(3,953)
Comprehensive income	4,845	(2,108)	2,737	35,780	(4,269)	31,511
Comprehensive income attributable to Amkor	4,222	(2,108)	2,114	34,241	(4,269)	29,972

	For the Three Months Ended March 31, 2016		
	As Reported	Adjustments	As Revised
	(In thousands)		
Foreign currency translation	\$ 19,864	\$ (541)	\$ 19,323
Total other comprehensive income	19,888	(541)	19,347
Comprehensive income	19,483	(541)	18,942
Comprehensive income attributable to Amkor	19,013	(541)	18,472

The following table presents the effect of the aforementioned revisions on our Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2015:

	For Six Months Ended June 30, 2015		
	As Reported	Adjustments	As Revised
	(In thousands)		
Net income	\$ 39,898	\$ (4,434)	\$ 35,464
Other operating activities and non-cash items	(14,179)	4,434	(9,745)

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Amkor is one of the world's leading providers of outsourced semiconductor packaging and test services. Our financial goals are sales growth and improved profitability, and we are focusing on the following strategies to achieve these goals: capitalizing on our investments in services for advanced technologies, improving utilization of existing assets and selectively growing our scale and scope through strategic investments.

We are an industry leader in developing and commercializing cost-effective advanced packaging and test technologies. These advanced technology solutions provide increased value to our customers while typically generating gross margins above our corporate average. This is particularly true in the mobile device market, where growth has outpaced the semiconductor industry rate. Advanced packages are now the preferred choice in both the high-end and the mid-range segments of the smartphone market, which together account for a high portion of mobile phone semiconductor value. The demand for advanced packages is also being driven by second-wave mobile device customers, who are transitioning out of wirebond into wafer-level and flip-chip packages. We believe that our technology leadership and this technology transition create significant growth opportunities for us.

We typically look for opportunities in the advanced packaging and test area where we can generate reasonably quick returns on investments made for customers seeking leading edge technologies. We also focus on developing a second wave of customers to fill the capacity that becomes available when leading edge customers transition to newer packaging and test equipment and platforms. For example, we are currently working to expand our sales to Chinese and Taiwanese fabless chip companies that make up a significant portion of the mid-tier and entry-level segments of the mobile device market where much of the growth is occurring. In addition, we are seeking out new customers and deepening our engagement with existing customers. This includes an expanded emphasis on the automotive market where semiconductor content continues to grow and in the analog area for our mainstream wirebond technologies.

From time to time, we identify attractive opportunities to grow our customer base and expand the markets we serve. For example, in 2009 we invested in J-Devices, a joint venture to provide semiconductor packaging and test services in Japan. We increased our investment in J-Devices to 60% in 2013 and to 100% in 2015 through the exercise of additional options. Also, in 2013, we acquired Toshiba's power discrete semiconductor packaging and test factory in Malaysia. We believe that selective growth through joint ventures, acquisitions and other strategic investments can help diversify our revenue streams, improve our profits and continue our technological leadership.

Our IDM customers include: Intel Corporation; Renesas Electronics Corporation; STMicroelectronics N.V.; Texas Instruments Incorporated and Toshiba Corporation. Our fabless customers include: Broadcom Limited and Qualcomm Incorporated. Our contract foundry customers include: GlobalFoundries Inc. and Taiwan Semiconductor Manufacturing Company Limited.

Our business is impacted by market conditions in the semiconductor industry, which is cyclical and impacted by broad economic factors, such as world-wide gross domestic product and consumer spending. Historical trends indicate there has been a strong correlation between world-wide gross domestic product levels, consumer spending and semiconductor industry cycles. The semiconductor industry has experienced significant and sometimes prolonged cyclical upturns and downturns in the past. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery.

Generally soft economic conditions and a lack of compelling new mobile products constrained overall demand during 2015 and the first half of 2016. During the second quarter, we began to see some recovery in the demand environment driven by the high-end Android smartphone market and, with the consolidation of J-Devices, solid gains in our automotive business. We believe market conditions will continue to improve in the second half of the year with the launch of mobile devices across multiple tiers of the smartphone market.

Our net sales, gross profit, operating income, cash flows, liquidity and capital resources have historically fluctuated significantly from quarter to quarter as a result of many factors, including the seasonality of our business, the cyclical nature of the semiconductor industry and other factors discussed in Part II, Item 1A of this Quarterly Report on Form 10-Q.

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We operate in a capital intensive industry and have a significant level of debt. Servicing our current and future customers requires that we incur significant operating expenses and continue to make significant capital expenditures, which are generally made in advance of the related revenues and without firm customer commitments. We fund our operations, including capital expenditures and debt service requirements, with cash flows from operations, existing cash and cash equivalents, borrowings under available credit facilities and proceeds from any additional financing. Maintaining an appropriate level of liquidity is important to our business and depends on, among other things, the performance of our business, our capital expenditure levels and our ability to repay debt out of our operating cash flows or proceeds from debt or equity financings.

Financial Highlights

On December 30, 2015, we increased our ownership in J-Devices to 100%. As a result, our accounting for J-Devices changed from the equity method to the consolidation method. Our operating results for the three and six months ended June 30, 2016 include the fully consolidated results of J-Devices, whereas the comparable periods in 2015 include only our equity in earnings of J-Devices.

In April 2016, our Kumamoto factory was damaged by earthquakes in Japan. Production has been restored at Kumamoto and our sales in the second quarter were reduced by approximately \$15 million due to the temporary disruption in operations. We incurred \$13.3 million of earthquake related costs in the second quarter for damaged inventory, buildings and equipment. Taking into account estimated insurance payments of ¥3 billion, approximately \$30 million, anticipated to be received later this year, we expect the net impact on our full year 2016 results to be minimal.

Our net sales increased \$180.6 million or 24.5% to \$917.3 million for the three months ended June 30, 2016 from \$736.7 million for the three months ended June 30, 2015. The increase was attributable to the consolidation of J-Devices. J-Devices contributed \$205.6 million of net sales in the current quarter. Excluding J-Devices, net sales would have been down by \$25.0 million for the three months ended June 30, 2016 compared to the same period in 2015 due to soft economic conditions and general weakness in the mobile communications market.

Gross profit for the three months ended June 30, 2016 increased \$16.5 million over the three months ended June 30, 2015. J-Devices contributed \$10.5 million in gross profit in the three months ended June 30, 2016. The remainder of the increase was primarily due to favorable foreign currency exchange rate movements as well as a reduction in depreciation expense.

Our capital expenditures totaled \$356.0 million for the six months ended June 30, 2016, compared to \$194.4 million for the six months ended June 30, 2015. We spent \$152.7 million for construction of our K5 facility in Korea during the period, and the balance of our capital expenditures was primarily focused on investments in advanced packaging and test equipment.

Net cash provided by operating activities was \$273.2 million for the six months ended June 30, 2016, compared to \$228.3 million for the six months ended June 30, 2015. J-Devices contributed \$40.3 million of operating cash flow for the six months ended June 30, 2016. Excluding J-Devices, our operating cash flow increased in 2016 primarily due to interest savings associated with the June 2015 repayment of debt with proceeds from the issuance of lower cost debt, partially offset by lower gross profit. In addition, in 2015, we paid a premium to retire debt.

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Results of Operations

The following table sets forth certain operating data as a percentage of net sales for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	100.0%	100.0%	100.0%	100.0%
Materials	37.7%	37.2%	37.6%	36.9%
Labor	16.0%	15.7%	16.1%	14.9%
Other manufacturing costs	32.0%	31.5%	32.1%	31.3%
Gross margin	14.3%	15.6%	14.2%	16.9%
Operating income	3.3%	5.2%	2.9%	6.3%
Net income attributable to Amkor (1)	0.5%	1.0%	0.2%	2.3%

- (1) In the second quarter of 2016, we identified an error in the provision for income taxes in the financial statements for J-Devices for the periods beginning in 2012 through the fourth quarter of 2015. We have revised our previously issued consolidated financial statements to correct our equity in earnings for J-Devices during the impacted periods. Please see Note 1 and Note 17 for additional information.

Net Sales

	For the Three Months Ended June 30,			For the Six Months Ended June 30,				
	2016	2015	Change	2016	2015	Change		
(In thousands, except percentages)								
Net sales	\$ 917,326	\$ 736,722	\$ 180,604	24.5%	\$ 1,786,008	\$ 1,479,597	\$ 306,411	20.7%

The increase in net sales for the three and six months ended June 30, 2016, compared with the three and six months ended June 30, 2015, was attributable to the consolidation of J-Devices. J-Devices contributed \$205.6 million and \$422.6 million of net sales for the three and six months ended June 30, 2016, respectively. The recent earthquakes in Japan negatively impacted J-Devices net sales. Excluding J-Devices, net sales would have been down for the three and six months ended June 30, 2016, primarily due to soft economic conditions as well as general weakness in the mobile communications market. The decrease was partially offset by higher sales in the automotive market, which was driven by increased market share with existing customers and higher demand resulting from increasing semiconductor content in vehicles.

Gross Margin

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
(In thousands, except percentages)						
Gross profit	\$ 131,606	\$ 115,098	\$ 16,508	\$ 254,490	\$ 250,045	\$ 4,445
Gross margin	14.3%	15.6%	(1.3)%	14.2%	16.9%	(2.7)%

Our cost of sales consists principally of materials, labor, depreciation and manufacturing overhead. Since a substantial portion of the costs at our factories is fixed, there tends to be a direct relationship between our revenue levels and gross margin where relatively modest increases or decreases can have a significant effect.

Gross profit for the three and six months ended June 30, 2016 increased compared to the three and six months ended June 30, 2015. J-Devices contributed \$10.5 million and \$39.5 million in gross profit in the three and six months ended June 30, 2016, respectively.

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Gross margin decreased for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015. Incremental costs due to the recent earthquakes in Japan negatively impacted gross margin by 1.5% and 0.8% for the three and six months ended June 30, 2016, respectively.

Excluding J-Devices, gross margin would have increased for the three months ended June 30, 2016, primarily due to favorable foreign currency exchange rates for our costs denominated in foreign currencies as well as a reduction in depreciation expense. For the six months ended June 30, 2016, excluding J-Devices, gross margin would also have decreased primarily due to lower net sales driven by soft economic conditions as well as general weakness in the mobile communications market. The decline was partially offset by favorable foreign currency rates for our costs denominated in foreign currencies as well as a reduction in depreciation expense.

Selling, General and Administrative Expenses

	For the Three Months Ended June 30,			For the Six Months Ended June 30,				
	2016	2015	Change	2016	2015	Change		
(In thousands, except percentages)								
Selling, general and administrative	\$ 70,896	\$ 56,435	\$ 14,461	25.6%	\$ 144,531	\$ 119,377	\$ 25,154	21.1%

Selling, general and administrative expenses for the three and six months ended June 30, 2016 increased compared to the three and six months ended June 30, 2015. J-Devices accounted for \$14.2 million and \$28.4 million in selling, general and administrative expenses for the three and six months ended June 30, 2016, respectively. Excluding J-Devices, selling, general and administrative expenses for the three months ended June 30, 2016 would also have increased primarily due to higher employee incentive compensation costs, partially offset by general cost savings. Excluding J-Devices, selling, general and administrative expenses would have decreased for the six months ended June 30, 2016 due to general cost savings, partially offset by higher employee incentive compensation costs.

Research and Development

	For the Three Months Ended June 30,			For the Six Months Ended June 30,				
	2016	2015	Change	2016	2015	Change		
(In thousands, except percentages)								
Research and development	\$ 30,168	\$ 20,020	\$ 10,148	50.7%	\$ 57,323	\$ 38,046	\$ 19,277	50.7%

Research and development activities are focused on developing new packaging and test services and improving the efficiency and capabilities of our existing production processes. The costs related to our technology and product development projects are included in research and development expense until the project moves into production. Once production begins, the costs related to production become part of the cost of goods sold, including ongoing depreciation for the equipment previously held for research and development activities. Research and development expenses increased in the three and six months ended June 30, 2016, compared with the three and six months ended June 30, 2015. J-Devices added \$5.0 million and \$8.6 million in research and development expenses for the three and six months ended June 30, 2016, respectively. Excluding J-Devices, research and development expenses would also have increased due to an increase in development activities and the related investment in equipment, as well as employee compensation costs. The increase was partially offset by the reduction in costs for projects that moved into production.

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Other Income and Expense

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2016	2015	Change		2016	2015	Change	
(In thousands, except percentages)								
Interest expense, including related party	\$ 22,058	\$ 24,087	\$ (2,029)	(8.4)%	\$ 39,492	\$ 49,106	\$ (9,614)	(19.6)%
Foreign currency (gain) loss, net	759	(1,459)	\$ 2,218	>(100)%	4,382	(1,252)	\$ 5,634	>(100)%
Other (income) expense, net	(1,001)	8,749	(9,750)	>(100)%	(1,432)	8,044	(9,476)	>(100)%
Total other expense, net	\$ 21,816	\$ 31,377	\$ (9,561)	(30.5)%	\$ 42,442	\$ 55,898	\$ (13,456)	(24.1)%

Interest expense decreased for the three and six months ended June 30, 2016, compared with the three and six months ended June 30, 2015. The decrease was driven by the repayment in full of our 7.375% Senior Notes due May 2018 with proceeds from lower cost debt in June 2015. The early repayment of the Senior Notes resulted in a loss on debt retirement of \$8.9 million included in other (income) expense, net for the three and six months ended June 30, 2015. For the three months ended March 31, 2016, we capitalized a portion of the interest on our outstanding debt in the amount of \$4.4 million, in connection with the construction of K5. With the completion of construction of K5, we are no longer capitalizing interest on the project. For the three and six months ended June 30, 2015, we capitalized interest in the amount of \$2.1 million and \$4.3 million, respectively.

For the three and six months ended June 30, 2016, foreign currency (gain) loss, net was a loss as compared with a gain in the prior year periods. The change primarily resulted from the consolidation of J-Devices, as well as unfavorable exchange rate movements and the associated impact on our net monetary exposure at our foreign subsidiaries.

Income Tax Expense

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
(In thousands, except percentages)						
Income tax expense	\$ 3,360	\$ 4,631	\$ (1,271)	\$ 5,233	\$ 10,630	\$ (5,397)

Generally, our annual effective tax rate is below the U.S. federal tax rate of 35% because the majority of our income is taxed in foreign jurisdictions in the Asia Pacific region, where we benefit from tax holidays or tax rates lower than the U.S. statutory rate. Foreign withholding taxes and minimum taxes generally cause our effective tax rate to increase. The decrease in our income tax expense for the six months ended June 30, 2016 is primarily attributable to a decrease in profit before tax.

Our income tax expense reflects the applicable tax rates in effect in the various countries in which our income is earned and is subject to volatility depending on the relative jurisdictional mix of earnings. During 2016 and 2015, our subsidiaries in Korea, Malaysia, the Philippines and Taiwan operated under tax holidays which will continue to expire in whole or in part at various dates through 2024. We expect our effective tax rate to increase as the tax holidays expire because income earned in these jurisdictions will be subject to higher statutory income tax rates.

Liquidity and Capital Resources

We assess our liquidity based on our current expectations regarding sales, operating expenses, capital spending, debt service requirements and other funding needs. Based on this assessment, we believe that our cash flow from operating activities, together with existing cash and cash equivalents and availability under our credit facilities, will be sufficient to fund our working capital, capital expenditure, debt service and other financial requirements for at least the next twelve months. Our liquidity is affected by, among other things, volatility in the global economy and credit markets, the performance of our business, our capital expenditure levels, other uses of our cash including any purchases of stock under our stock repurchase program, any acquisitions or investments in joint ventures and our ability to either repay debt out of operating cash flow or

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refinance it at or prior to maturity with the proceeds of debt or equity offerings. There can be no assurance that we will generate the necessary net income or operating cash flows, or be able to borrow sufficient funds, to meet the funding needs of our business beyond the next twelve months due to a variety of factors, including the cyclical nature of the semiconductor industry and other factors discussed in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Our primary source of cash and the source of funds for our operations are cash flows from operations, current cash and cash equivalents, borrowings under available credit facilities and proceeds from any additional debt or equity financings. As of June 30, 2016, we had cash and cash equivalents of \$499.3 million. Included in our cash balance as of June 30, 2016, is \$366.8 million held offshore by our foreign subsidiaries. If we were to distribute this offshore cash to the U.S. as dividends from our foreign subsidiaries, in some cases we would incur foreign withholding taxes; however, we would not incur a significant amount of U.S. federal income taxes due to the availability of tax loss carryovers and foreign tax credits. In addition to dividends from our foreign subsidiaries, we have other options available to access cash held offshore by our foreign subsidiaries, including the settlement of intercompany debt facilities.

As of June 30, 2016, we had availability of \$75.5 million under our \$200.0 million first lien senior secured revolving credit facility. Our foreign subsidiaries had \$64.0 million available to be drawn under secured revolving credit facilities and \$91.3 million available to be borrowed under secured term loan credit facilities for working capital purposes and capital expenditures.

As of June 30, 2016 we had \$1,636.7 million of debt. Our scheduled principal repayments on debt include \$33.8 million due in 2016, \$69.7 million due in 2017, \$127.4 million due in 2018, \$250.0 million due in 2019, \$234.0 million due in 2020 and \$925.0 million due thereafter. We were in compliance with all of our debt covenants at June 30, 2016, and we expect to remain in compliance with these covenants for at least the next twelve months.

In certain foreign locations, we use non-recourse factoring arrangements with third party financial institutions to manage our working capital and cash flows. Under this program, we sell receivables to a financial institution for cash at a discount to the face amount. Available capacity under these programs is dependent on the level of our trade accounts receivable eligible to be sold, the financial institutions' willingness to purchase such receivables and the limits provided by the financial institutions. For the six months ended June 30, 2016 and 2015, we sold accounts receivable totaling \$270.1 million and \$152.9 million, respectively, for a discount, plus fees, of \$0.9 million and \$0.8 million, respectively. At June 30, 2016 and December 31, 2015, there were outstanding receivables of \$133.7 million and \$141.9 million, respectively, which had been sold to financial institutions under these arrangements.

In order to reduce our debt and future cash interest payments, we may from time to time repurchase our outstanding notes for cash or exchange shares of our common stock for our outstanding notes. Any such transaction may be made in the open market, through privately negotiated transactions or otherwise and is subject to the terms of our indentures and other debt agreements, market conditions and other factors.

Certain debt agreements have restrictions on dividend payments and the repurchase of stock and subordinated securities. These restrictions are determined in part by calculations based upon cumulative net income. We have never paid a dividend to our stockholders and we do not have any present plans for doing so. From time to time, Amkor Technology, Inc. also guarantees certain debt of our subsidiaries.

Our subsidiary in Korea maintains an unfunded severance plan that covers certain employees that were employed prior to August 1, 2015. As of June 30, 2016, the severance liability was \$140.7 million. For service periods subsequent to August 1, 2015, employees participate in either a defined benefit pension plan or a defined contribution pension plan.

In January 2015, we settled our patent license litigation with Tessera. Under the terms of the settlement, Amkor agreed to pay Tessera a total of \$155.0 million in 16 equal quarterly recurring payments commencing in the first quarter of 2015 and continuing through the fourth quarter of 2018. As of June 30, 2016, we owe \$96.9 million to Tessera.

In April 2016, our Kumamoto factory was damaged by the earthquakes in Japan. Production has been restored at Kumamoto, and our sales in the second quarter were reduced by approximately \$15 million due to the temporary disruption in operations. We incurred \$13.3 million of earthquake related costs in the second quarter for damaged inventory, buildings and equipment.

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Taking into account estimated insurance payments of ¥3 billion, approximately \$30 million, anticipated to be received later this year, we expect the net impact on our liquidity to be minimal.

We operate in a capital intensive industry. Servicing our current and future customers may require that we incur significant operating expenses and make significant investments in equipment and facilities, which are generally made in advance of the related revenues and without firm customer commitments.

Our Board of Directors previously authorized the repurchase of up to \$300.0 million of our common stock, exclusive of any fees, commissions or other expenses. At June 30, 2016, approximately \$91.6 million was available to repurchase common stock pursuant to the stock repurchase program. The purchase of stock may be made in the open market or through privately negotiated transactions. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will depend upon a variety of factors including economic and market conditions, the cash needs and investment opportunities for the business, the current market price of our stock, applicable legal requirements and other factors. We have not purchased any stock under the plan since 2012.

Investments

We make significant capital expenditures in order to service the demand of our customers, which is primarily focused on investments in advanced packaging and test equipment. We expect that our 2016 capital expenditures will be approximately \$650 million, including approximately \$170 million of spending on our new K5 factory in Korea. During the six months ended June 30, 2016, our capital expenditures totaled \$356.0 million, including \$152.7 million for K5. Ultimately, the amount of our 2016 capital expenditures will depend on several factors including, among others, the timing and implementation of any capital projects under review, the performance of our business, economic and market conditions, the cash needs and investment opportunities for the business, the need for additional capacity to service anticipated customer demand and the availability of cash flows from operations or financing.

In addition, we are subject to risks associated with our capital expenditures, including those discussed in Part II, Item 1A of this Quarterly Report on Form 10-Q under the caption "Capital Expenditures - We Make Substantial Investments in Equipment and Facilities To Support the Demand Of Our Customers, Which May Adversely Affect Our Business If the Demand Of Our Customers Does Not Develop As We Expect or Is Adversely Affected."

Cash Flows

Net cash provided by (used in) operating, investing and financing activities for the six months ended June 30, 2016 and 2015, were as follows:

	For the Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Operating activities	\$ 273,199	\$ 228,281
Investing activities	(356,355)	(196,159)
Financing activities	40,522	(39,771)

Operating activities: Our cash flows provided by operating activities for the six months ended June 30, 2016, increased by \$44.9 million compared to the six months ended June 30, 2015. J-Devices contributed \$40.3 million of operating cash flow for the six months ended June 30, 2016. Excluding J-Devices, our operating cash flow increased in 2016 primarily due to interest savings associated with the June 2015 repayment of our 7.375% Senior Notes due May 2018 with proceeds from the issuance of lower cost debt, partially offset by lower gross profit. In addition, in 2015, we paid a premium to retire debt.

Investing activities: Our cash flows used in investing activities are principally for payments for property, plant and equipment, which increased compared to the prior year primarily due to payments for the construction of K5 and capital expenditures at J-Devices, our newly consolidated subsidiary. The net cash used in investing activities for the six months

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ended June 30, 2015, included a payment for an incremental investment in J-Devices, partially offset by the receipt of the final payment for the sale of our subsidiary to J-Devices.

Financing activities: The net cash provided by financing activities for the six months ended June 30, 2016, was driven by net borrowings at our subsidiaries in Korea, Taiwan and Japan. The net cash used in financing activities for the six months ended June 30, 2015 primarily resulted from the repayment of our 7.375% Senior Notes due May 2018 and other borrowings, partially offset by new borrowings.

We provide the following supplemental data to assist our investors and analysts in understanding our liquidity and capital resources. We define free cash flow as net cash provided by operating activities less payments for property, plant and equipment. Free cash flow is not defined by U.S. GAAP. We believe free cash flow to be relevant and useful information to our investors because it provides them with additional information in assessing our liquidity, capital resources and financial operating results. Our management uses free cash flow in evaluating our liquidity, our ability to service debt and our ability to fund capital expenditures. However, free cash flow has certain limitations, including that it does not represent the residual cash flow available for discretionary expenditures since other, non-discretionary expenditures, such as mandatory debt service, are not deducted from the measure. The amount of mandatory versus discretionary expenditures can vary significantly between periods. This measure should be considered in addition to, and not as a substitute for, or superior to, other measures of liquidity or financial performance prepared in accordance with U.S. GAAP, such as net cash provided by operating activities. Furthermore, our definition of free cash flow may not be comparable to similarly titled measures reported by other companies.

	For the Six Months Ended June 30,	
	2016	2015
(In thousands)		
Net cash provided by operating activities	\$ 273,199	\$ 228,281
Payments for property, plant and equipment	(355,974)	(194,360)
Free cash flow	<u>\$ (82,775)</u>	<u>\$ 33,921</u>

Contractual Obligations

The following table summarizes our contractual obligations at June 30, 2016, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

	Payments Due for Year Ending December 31,						
	Total	2016 - Remaining	2017	2018	2019	2020	Thereafter
(In thousands)							
Total debt	\$ 1,639,938	\$ 33,848	\$ 69,733	\$ 127,386	\$ 250,000	\$ 234,000	\$ 924,971
Scheduled interest payment obligations (1)	412,371	39,980	78,977	75,677	74,065	63,484	80,188
Purchase obligations (2)	107,850	93,462	2,925	5,205	1,601	1,215	3,442
Operating lease obligations	66,386	11,826	18,019	10,208	8,763	5,203	12,367
Severance obligations (3)	140,719	7,490	13,430	12,090	10,876	9,788	87,045
Settlement payments (4)	96,875	19,375	38,750	38,750	—	—	—
Total contractual obligations	<u>\$ 2,464,139</u>	<u>\$ 205,981</u>	<u>\$ 221,834</u>	<u>\$ 269,316</u>	<u>\$ 345,305</u>	<u>\$ 313,690</u>	<u>\$ 1,108,013</u>

- (1) Scheduled interest payment obligations were calculated using stated coupon rates for fixed rate debt and interest rates applicable at June 30, 2016, for variable rate debt.
- (2) Represents off-balance sheet purchase obligations for capital expenditures and long-term supply contracts outstanding at June 30, 2016.
- (3) Represents estimated benefit payments for our Korean subsidiary severance plan.
- (4) Represents settlement payments for patent license litigation. At June 30, 2016, the total obligation is \$96.9 million of which \$34.1 million is a current liability, \$55.8 million is a non-current liability and \$7.0 million will be imputed into interest over time.

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In addition to the obligations identified in the table above, other non-current liabilities recorded in our Consolidated Balance Sheets at June 30, 2016, include:

- \$49.7 million of net foreign pension plan obligations, for which the timing and actual amount of impact on our future cash flow is uncertain.
- \$22.2 million net liability associated with unrecognized tax benefits. Due to the uncertainty regarding the amount and the timing of any future cash outflows associated with our unrecognized tax benefits, we are unable to reasonably estimate the amount and period of ultimate settlement, if any, with the various taxing authorities.

Off-Balance Sheet Arrangements

As of June 30, 2016, we had no off-balance sheet guarantees or other off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Contingencies, Indemnifications and Guarantees

We refer you to Note 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of our contingencies related to litigation and other legal matters. The potential impact from legal proceedings on our business, liquidity, results of operations, financial position and cash flows could change in the future.

Critical Accounting Policies

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015. During the three months ended June 30, 2016, there have been no significant changes in our critical accounting policies as reported in our 2015 Annual Report on Form 10-K.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, we refer you to Note 2 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Market Risk Sensitivity

We are exposed to market risks, primarily related to foreign currency and interest rate fluctuations. In the normal course of business, we employ established policies and procedures to manage the exposure to fluctuations in foreign currency values and changes in interest rates. Our use of derivative instruments, including forward exchange contracts, has been historically insignificant; however, we continue to evaluate the use of hedging instruments to manage currency and other risks.

Foreign Currency Risk

In order to reduce our exposure to foreign currency gains and losses, we generally use natural hedging techniques to reduce foreign currency rate risk. The U.S. dollar is our reporting and functional currency and the functional currency for our subsidiaries, except for J-Devices, where the Japanese Yen is the functional currency.

We have foreign currency exchange rate risk associated with the re-measurement of monetary assets and liabilities on our Consolidated Balance Sheets that are denominated in currencies other than the functional currency. We performed a sensitivity analysis of our foreign currency exposure as of June 30, 2016, to assess the potential impact of fluctuations in exchange rates for all foreign denominated assets and liabilities. Assuming a 10% adverse movement for all currencies as of June 30, 2016, our income before taxes would have been approximately \$26 million lower, due to the re-measurement of monetary assets and liabilities. We have a significant net monetary liability at our subsidiary in Korea, principally driven by our Korean severance plan.

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In addition, we have foreign currency exchange rate exposure on our results of operations. For the six months ended June 30, 2016, approximately 72% of our net sales were denominated in U.S. dollars. Our remaining net sales were principally denominated in Japanese Yen for local country sales. For the six months ended June 30, 2016, approximately 49% of our cost of sales and operating expenses were denominated in U.S. dollars and were largely for raw materials and depreciation. The remaining portion of our cost of sales and operating expenses was principally denominated in the Asian currencies where our production facilities are located and largely consisted of labor and utilities. To the extent that the U.S. dollar weakens against these Asian-based currencies, similar foreign currency denominated income and expenses in the future will result in higher sales, higher cost of sales and operating expenses, with cost of sales and operating expenses having the greater impact on our financial results. Similarly, our sales, cost of sales and operating expenses will decrease if the U.S. dollar strengthens against these foreign currencies. We performed a sensitivity analysis of our foreign currency exposure as of June 30, 2016, to assess the potential impact of fluctuations in exchange rates for all foreign denominated sales and expenses. Assuming a 10% adverse movement in our currency exposures, our operating income for the six months ended June 30, 2016 would have been approximately \$42 million lower due to this exposure.

There are inherent limitations in the sensitivity analysis presented, primarily the assumption that foreign exchange rate movements across multiple jurisdictions would change instantaneously in an equally adverse fashion. As a result, the analysis is unable to reflect the potential effects of more complex market or other changes that could arise which may positively or negatively affect our results of operations.

Our Consolidated Financial Statements are impacted by changes in exchange rates at entities where the local currency is the functional currency. The effect of foreign exchange rate translation for these entities for the six months ended June 30, 2016 and 2015, was a net foreign translation gain of \$46.3 million and \$4.4 million, respectively, and was recognized as an adjustment to equity through other comprehensive income.

Interest Rate Risk

We have interest rate risk with respect to our debt. Our fixed and variable rate debt includes foreign borrowings and revolving credit facilities. Our fixed rate debt also consists of senior notes. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the fair value of the debt instrument but has no impact on interest expense or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not generally impact the fair value of the instrument.

The table below presents the interest rates, maturities and fair value of our fixed and variable rate debt as of June 30, 2016:

	2016 - Remaining	2017	2018	2019	2020	Thereafter	Total	Fair Value
(\$ in thousands)								
Debt								
Fixed rate debt	\$ 7,366	\$ 14,733	\$ 7,386	\$ —	\$ —	\$ 924,971	\$ 954,456	\$ 956,892
Average interest rate	0.5%	0.5%	0.5%	—%	—%	6.5%	6.3%	
Variable rate debt	\$ 26,482	\$ 55,000	\$ 120,000	\$ 250,000	\$ 234,000	\$ —	\$ 685,482	\$ 665,575
Average interest rate	0.4%	3.0%	3.2%	2.9%	3.0%	—%	2.9%	
Total debt	<u>\$ 33,848</u>	<u>\$ 69,733</u>	<u>\$ 127,386</u>	<u>\$ 250,000</u>	<u>\$ 234,000</u>	<u>\$ 924,971</u>	<u>\$ 1,639,938</u>	<u>\$ 1,622,467</u>

For information regarding the fair value of our long-term debt, see Note 15 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports to the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely

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decisions regarding required disclosure, based on the definition of “disclosure controls and procedures” in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. In designing and evaluating the disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2016, and concluded those disclosure controls and procedures were effective as of that date.

Changes in Internal Control Over Financial Reporting

On December 30, 2015, we obtained control of J-Devices and changed our accounting for J-Devices to the consolidation method. Prior to December 30, 2015, we accounted for J-Devices as an equity method investment and maintained adequate internal control over financial reporting relating to our investment. We are integrating the acquired operations into our overall internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Information about legal proceedings is set forth in Note 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 1A. *Risk Factors*

The factors discussed below are cautionary statements that identify important factors and risks that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this report. For more information regarding the forward-looking statements contained in this report, see the Table of Contents of this Quarterly Report on Form 10-Q. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing Amkor. Additional risks and uncertainties not presently known to us may also impair our business operations. The occurrence of any of the following risks could affect our business, liquidity, results of operations, financial condition or cash flows.

Dependence on the Highly Cyclical Semiconductor Industry - We Operate in Volatile Industries and Industry Downturns and Declines in Global Economic and Financial Conditions Could Harm Our Performance.

Our business is impacted by market conditions in the semiconductor industry, which is cyclical by nature and impacted by broad economic factors, such as world-wide gross domestic product and consumer spending. The semiconductor industry has experienced significant and sometimes sudden and prolonged downturns in the past. For example, the financial crisis and global recession in 2008 and 2009 resulted in a downturn in the semiconductor industry that adversely affected our business and results of operations during those periods. The economic recovery since that time has been slow and uneven.

Since our business is, and will continue to be, dependent on the requirements of semiconductor companies for outsourced packaging and test services, any downturn in the semiconductor industry or any other industry that uses a significant number of semiconductor devices, such as telecommunications, consumer electronics, or computing, could have a material adverse effect on our business and operating results. During downturns we have experienced, among other things, reduced demand, excess capacity and reduced sales. For example, generally soft economic conditions and a lack of compelling new mobile products constrained overall demand during 2015. Macroeconomic uncertainties and a cautious business climate are also expected to constrain the revenue growth in our business. It is difficult to predict the timing, strength or duration of any

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economic slowdown or subsequent economic recovery, which, in turn, makes it more challenging for us to forecast our operating results, make business decisions and identify risks that may affect our business, sources and uses of cash, financial condition and results of operations. Additionally, if industry conditions deteriorate, we could suffer significant losses, as we have in the past, which could materially impact our business, liquidity, results of operations, financial condition and cash flows.

Fluctuations in Operating Results and Cash Flows - Our Operating Results and Cash Flows Have Varied and May Vary Significantly as a Result of Factors That We Cannot Control.

Many factors, including the impact of adverse economic conditions, could have a material adverse effect on our net sales, gross profit, operating results and cash flows, or lead to significant variability of quarterly or annual operating results. Our profitability and ability to generate cash from operations is principally dependent upon demand for semiconductors, the utilization of our capacity, semiconductor package mix, the average selling price of our services, our ability to manage our capital expenditures and our ability to control our costs including labor, material, overhead and financing costs.

Our net sales, gross profit, operating income and cash flows have historically fluctuated significantly from quarter to quarter as a result of many of the following factors, over which we have little or no control and which we expect to continue to impact our business:

- fluctuation in demand for semiconductors and conditions in the semiconductor industry generally, as well as by specific customers, such as inventory reductions by our customers impacting demand in key markets;
- our ability to achieve our major growth objectives, including: transitioning second-wave customers to advanced packages; expanding our sales to customers in Greater China and, in particular, the mid-level and entry-level tiers of the mobile device market; and increasing our share of the automotive market;
- changes in our capacity and capacity utilization rates;
- changes in average selling prices which can occur quickly due to the absence of long term agreements on price;
- changes in the mix of the semiconductor packaging and test services that we sell;
- the development, transition and ramp to high volume manufacture of more advanced silicon nodes and evolving wafer, packaging and test technologies, may cause production delays, lower manufacturing yields and supply constraints for new wafers and other materials;
- absence of backlog, the short-term nature of our customers' commitments, double bookings by customers and deterioration in customer forecasts and the impact of these factors, including the possible delay, rescheduling and cancellation of large orders, or the timing and volume of orders relative to our production capacity;
- changes in costs, quality, availability and delivery times of raw materials, components and equipment;
- changes in labor costs to perform our services;
- wage inflation and fluctuations in commodity prices, including gold, copper and other precious metals;
- the timing of expenditures in anticipation of future orders;
- changes in effective tax rates;
- the availability and cost of financing;
- intellectual property transactions and disputes;
- high leverage and restrictive covenants;
- warranty and product liability claims and the impact of quality excursions and customer disputes and returns;
- costs associated with legal claims, indemnification obligations, judgments and settlements;

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- international events, such as the United Kingdom's vote to leave the European Union, political instability, civil disturbances or environmental or natural events, such as earthquakes like the recent ones in Japan, that impact our operations;
- pandemic illnesses that may impact our labor force and our ability to travel;
- costs of acquisitions and divestitures and difficulties integrating acquisitions;
- our ability to attract and retain qualified personnel to support our global operations;
- fluctuations in foreign exchange rates;
- fluctuations in our manufacturing yields;
- our ability to penetrate new end markets or expand our business in existing end markets;
- dependence on key customers or concentration of customers in certain end markets, such as mobile communications and automotive and
- restructuring charges, asset write-offs and impairments.

It is often difficult to predict the impact of these factors upon our results for a particular period. The downturn in the global economy and the semiconductor industry in 2009 increased the risks associated with the foregoing factors as customer forecasts became more volatile, and there was less visibility regarding future demand and significantly increased uncertainty regarding the economy, credit markets and consumer demand. The slow rate of economic growth in the U.S. and elsewhere and economic uncertainty worldwide could continue to cause volatility in customer forecasts and reduce our visibility regarding future demand in the semiconductor industry. These factors may have a material and adverse effect on our business, liquidity, results of operations, financial condition and cash flows or lead to significant variability of quarterly or annual operating results. In addition, these factors may adversely affect our credit ratings which could make it more difficult and expensive for us to raise capital and could adversely affect the price of our securities.

Absence of Backlog - The Lack of Contractually Committed Customer Demand May Adversely Affect Our Sales.

Our packaging and test business does not typically operate with any material backlog. Our quarterly net sales from packaging and test services are substantially dependent upon our customers' demand in that quarter. None of our customers have committed to purchase any significant amount of packaging or test services or to provide us with binding forecasts of demand for packaging and test services for any future period, in any material amount. In addition, we sometimes experience double booking by customers and our customers often reduce, cancel or delay their purchases of packaging and test services for a variety of reasons including industry-wide, customer-specific and Amkor-specific reasons. This makes it difficult for us to forecast our capacity utilization and net sales in future periods. Since a large portion of our costs is fixed and our expense levels are based in part on our expectations of future sales, we may not be able to adjust costs in a timely manner to compensate for any sales shortfall. If we are unable to adjust costs in a timely manner, our margins, operating results, financial condition and cash flows would be adversely affected.

High Fixed Costs - Due to Our High Percentage of Fixed Costs, We Will Be Unable to Maintain Satisfactory Gross Margins if We Are Unable to Achieve Relatively High Capacity Utilization Rates.

Our operations are characterized by relatively high fixed costs. Our profitability depends in part not only on pricing levels for our packaging and test services, but also on the efficient utilization of our human resources and packaging and test equipment. Increases or decreases in our capacity utilization can significantly affect gross margins. In periods of low demand, we experience relatively low capacity utilization in our operations, which leads to reduced margins during that period. Transitions between different packaging technologies, such as the transition from gold wirebond to flip chip and copper wirebond packages, can also impact our capacity utilization if we do not efficiently redeploy our equipment for other packaging and test opportunities. For example, in 2011 the migration of some customer demand from wirebond to flip chip packages resulted in under-utilized wirebond assets which negatively impacted our capacity utilization and gross margin. We cannot assure you that we will be able to achieve consistently high capacity utilization, and if we fail to do so, our gross

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margins will be negatively impacted. If our gross margins decrease, our business, liquidity, results of operations, financial condition and cash flows could be materially adversely affected.

In addition, our fixed operating costs have increased in recent years in part as a result of our efforts to expand our capacity through significant capital expenditures. Forecasted customer demand for which we have made capital investments may not materialize, especially if industry conditions deteriorate. As a result, our sales may not adequately cover fixed costs resulting in reduced profit levels or causing significant losses, both of which may adversely impact our business, liquidity, results of operations, financial condition and cash flows.

Guidance - Our Failure to Meet Our Guidance or Analyst Projections Could Adversely Impact the Trading Prices of Our Securities.

We periodically provide guidance to investors with respect to certain financial information for future periods. Securities analysts also periodically publish their own projections with respect to our future operating results. As discussed above under “Fluctuations in Operating Results and Cash Flows - Our Operating Results and Cash Flows Have Varied and May Vary Significantly as a Result of Factors That We Cannot Control,” our operating results and cash flows vary significantly and are difficult to accurately predict. Volatility in customer forecasts and fluctuations in global consumer demand make it particularly difficult to predict future results. To the extent we fail to meet or exceed our own guidance or the analyst projections for any reason, the trading prices of our securities may be adversely impacted. Moreover, even if we do meet or exceed that guidance or those projections, if analysts and investors do not react favorably, or if analysts were to discontinue providing coverage of our company, the trading prices of our securities may be adversely impacted.

Declining Average Selling Prices - Historically There Has Been Downward Pressure on the Prices of Our Packaging and Test Services.

Prices for packaging and test services have generally declined over time, and sometimes prices can change significantly in relatively short periods of time. We expect downward pressure on average selling prices for our packaging and test services to continue in the future, and this pressure may intensify during downturns in business. If we are unable to offset a decline in average selling prices by developing and marketing new packages with higher prices, reducing our purchasing costs, recovering more of our material cost increases from our customers and reducing our manufacturing costs, our business, liquidity, results of operations, financial condition and cash flows could be materially adversely affected.

Decisions by Our Integrated Device Manufacturer and Foundry Customers to Curtail Outsourcing May Adversely Affect Our Business.

Historically, we have been dependent on the trend in outsourcing of packaging and test services by IDM customers. Our IDM and foundry customers continually evaluate the need for outsourced services against their own in-house packaging and test services. As a result, at any time and for a variety of reasons, IDMs and foundries may decide to shift some or all of their outsourced packaging and test services to internally sourced capacity.

The reasons IDMs and foundries may shift their outsourced business to internal capacity include:

- their desire to realize higher utilization of their existing packaging and test capacity, especially during downturns in the semiconductor industry;
- their unwillingness to disclose proprietary technology;
- their possession of more advanced packaging and test technologies and
- the guaranteed availability of their own packaging and test capacity.

In addition, to the extent we limit capacity commitments for certain customers, these customers may increase their level of in-house packaging and test capabilities, which could make it more difficult for us to regain their business when we have available capacity.

In a downturn in the semiconductor industry, IDMs and foundries could respond by shifting some or all outsourced packaging and test services to internally serviced capacity on a short term basis. Also, the IDMs and foundries could curtail or reverse

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the trend of outsourcing packaging and test services. If we experience a significant loss of IDM or foundry business, it could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows, especially during a prolonged industry downturn.

Our Substantial Indebtedness Could Adversely Affect Our Financial Condition and Prevent Us from Fulfilling Our Obligations.

We have a significant amount of indebtedness, and the terms of the agreements governing our indebtedness allow us and our subsidiaries to incur more debt, subject to certain limitations. As of June 30, 2016, our total debt balance was \$1,636.7 million, of which \$96.2 million was classified as a current liability and \$579.7 million was collateralized indebtedness at our subsidiaries. We may consider investments in joint ventures, increased capital expenditures or acquisitions which may increase our indebtedness. If new debt is added to our consolidated debt level, the related risks that we face could intensify.

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, including our obligations under our indentures to purchase notes tendered as a result of a change in control of Amkor;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other business opportunities, including joint ventures and acquisitions;
- require us to dedicate a substantial portion of our cash flow from operations to service payments of interest and principal on our debt, thereby reducing the availability of our cash flow to fund future working capital, capital expenditures, research and development expenditures and other general corporate requirements;
- increase the volatility of the price of our common stock;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage to any of our competitors that have less debt;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds;
- limit our ability to refinance our existing indebtedness, particularly during periods of adverse credit market conditions when refinancing indebtedness may not be available under interest rates and other terms acceptable to us or at all and
- increase our cost of borrowing.

We May Have Difficulty Funding Liquidity Needs.

We assess our liquidity based on our current expectations regarding sales, operating expenses, capital spending and debt service requirements and other funding needs. Our liquidity is affected by, among other things, the performance of our business, our capital expenditure and other investment levels and our ability to repay debt and other long-term obligations out of our operating cash flows or with the proceeds of debt or equity financings.

We operate in a capital intensive industry. During the six months ended June 30, 2016, we had capital expenditures of \$356.0 million. Servicing our current and future customers requires that we incur significant operating expenses and continue to make significant capital expenditures and other investments, which are generally made in advance of the related revenues and without firm customer commitments. Ultimately the actual amount of our capital expenditures for 2016 and thereafter may vary materially and will depend on several factors. These factors include, among others, the amount, timing and implementation of our capital projects, including those under review and those not yet planned, the performance of our business, economic and market conditions, the cash needs and investment opportunities for the business, the need for additional capacity and facilities and the availability of cash flows from operations or financing.

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In addition, we have a significant level of debt, which requires significant scheduled principal and interest payments in the coming years. The sources funding our operations, including making capital expenditures and other investments and servicing principal and interest obligations with respect to our debt, are cash flows from our operations, existing cash and cash equivalents, borrowings under available debt facilities, or proceeds from any additional debt or equity financing.

The health of the worldwide banking system and capital markets affects our liquidity. If financial institutions that have extended credit commitments to us are adversely affected by the conditions of the U.S., foreign or international banking system and capital markets, they may refuse or be unable to fund borrowings under their credit commitments to us. Volatility in the banking system and capital markets could also make it difficult or more expensive for us to maintain our existing credit facilities or refinance our debt.

The trading price of our common stock has been, and is likely to continue to be, highly volatile and could be subject to wide fluctuations. Such fluctuations could impact our decision or ability to utilize the equity markets as a potential source of our funding needs in the future.

In addition, there is a risk that we could fail to generate the necessary net income or operating cash flows to meet the funding needs of our business due to a variety of factors, including the other factors discussed in this “Risk Factors” section. If we fail to generate the necessary cash flows or we are unable to access the capital markets when needed, our liquidity may be adversely impacted.

Restrictive Covenants in the Indentures and Agreements Governing Our Current and Future Indebtedness.

The indentures and agreements governing our existing debt, and debt we may incur in the future, contain, or may contain, affirmative and negative covenants that materially limit our ability to take certain actions, including our ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, engage in sale leaseback transactions and encumber and dispose of assets. In addition, our future debt agreements may contain financial covenants and ratios.

The breach of any of these covenants by us or the failure by us to meet any of the financial ratios or conditions could result in a default under any or all of such indebtedness. If a default occurs under any such indebtedness, all of the outstanding obligations thereunder could become immediately due and payable, which could result in a default under our other outstanding debt and could lead to an acceleration of obligations related to other outstanding debt. The existence of such a default or event of default could also preclude us from borrowing funds under our revolving credit facilities. Our ability to comply with the provisions of the indentures, credit facilities and other agreements governing our outstanding debt and indebtedness we may incur in the future can be affected by events beyond our control and a default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We Have Significant Severance Plan Obligations Associated With Our Manufacturing Operations in Korea Which Could Reduce Our Cash Flow and Negatively Impact Our Financial Condition.

Our subsidiary in Korea maintains an unfunded severance plan, under which we have an accrued liability of \$140.7 million as of June 30, 2016. The plan covers certain employees that were employed prior to August 1, 2015. In the event of a significant layoff or other reduction in our labor force in Korea, our subsidiary in Korea would be required to make lump-sum severance payments under the plan, which could have a material adverse effect on our liquidity, financial condition and cash flows.

If We Fail to Maintain an Effective System of Internal Controls, We May Not be Able to Accurately Report Financial Results or Prevent Fraud.

Effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. We must annually evaluate our internal procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires management and our independent registered public accounting firm to assess the effectiveness of internal control over financial reporting.

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Internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, fraud or corruption. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assess our internal controls and systems on an ongoing basis, and from time-to-time, we update and make modifications to our global enterprise resource planning system. We have implemented several significant enterprise resource planning modules and expect to implement additional enterprise resource planning modules in the future. In addition, we have implemented new shop floor management systems in certain of our factories and integrated the acquired operations of Amkor Technology Malaysia Sdn. Bhd. into our overall internal control over financial reporting. In December 2015, we acquired the operations of J-Devices, and we are integrating those operations into our overall internal control over financial reporting. Although we continue to monitor and assess our internal controls for these systems and operations, there is a risk that deficiencies may occur that could constitute significant deficiencies or, in the aggregate, a material weakness.

If we fail to remedy any deficiencies or maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our operating results or financial condition.

We Face Warranty Claims, Product Return and Liability Risks, the Risk of Economic Damage Claims and the Risk of Negative Publicity if Our Packages Fail.

Our packages are incorporated into a number of end products, and our business is exposed to warranty claims, product return and liability risks, the risk of economic damage claims and the risk of negative publicity if our packages fail.

We receive warranty claims from our customers which occur from time to time in the ordinary course of our business. If we were to experience an unusually high incidence of warranty claims, we could incur significant costs and our business could be adversely affected. In addition, we are exposed to the product and economic liability risks and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our packages are delivered with defects, we could incur additional development, repair or replacement costs or suffer other economic losses, and our credibility and the market's acceptance of our packages could be harmed.

Risks Associated With International Operations - We Depend on Our Factories and Operations in China, Japan, Korea, Malaysia, the Philippines and Taiwan. Many of Our Customers' and Vendors' Operations Are Also Located Outside of the U.S.

We provide packaging and test services through our factories and other operations located in China, Japan, Korea, Malaysia, the Philippines and Taiwan. Substantially all of our property, plant and equipment is located outside of the United States. Moreover, many of our customers and the vendors in our supply chain are located outside the U.S. The following are some of the risks we face in doing business internationally:

- changes in consumer demand resulting from deteriorating conditions in local economies;
- regulations and policies imposed by U.S. or foreign governments, such as tariffs, customs, duties and other restrictive trade barriers, antitrust and competition, tax, currency and banking, privacy, labor, environmental, health and safety;
- laws, rules, regulations and policies within China and other countries that may favor domestic companies over non-domestic companies, including customer- or government-supported efforts to promote the development and growth of local competitors;
- the payment of dividends and other payments by non-U.S. subsidiaries may be subject to prohibitions, limitations or taxes in local jurisdictions;
- fluctuations in currency exchange rates, particularly with the recent acquisition of J-Devices;

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- political and social conditions, such as civil unrest and terrorism;
- disruptions or delays in shipments caused by customs brokers or government agencies;
- difficulties in attracting and retaining qualified personnel and managing foreign operations, including foreign labor disruptions;
- difficulty in enforcing contractual rights and protecting our intellectual property rights;
- potentially adverse tax consequences resulting from tax laws in the U.S. and in foreign jurisdictions in which we operate and
- local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act (FCPA) and other anti-corruption laws and regulations.

In particular, we have significant facilities and other investments in South Korea, and there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its military actions in the region. Furthermore, there has been a history of conflict and a recent rise in tensions among other countries in the region.

We Face Risks in Connection with the Continuing Development and Implementation of Changes to, and Maintenance and Security of, Our Management Information Systems.

We depend on our management information systems for many aspects of our business. Some of our key software has been developed by our own programmers, and this software may not be easily integrated with other software and systems. Our systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading, replacing or maintaining software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, malfeasance or catastrophic events. In addition, security breaches could result in unauthorized disclosure of confidential information. From time to time we make additions or changes to our management information systems. For example, we have implemented new shop floor systems in certain of our factories, and we are integrating J-Devices' management information systems with our existing systems and processes. We face risks in connection with current and future projects to install or integrate new management information systems or upgrade our existing systems. These risks include:

- we may face delays in the design and implementation of the system;
- the cost of the systems may exceed our plans and expectations and
- disruptions resulting from the implementation or integration of the systems may impact our ability to process transactions and delay shipments to customers, impact our results of operations or financial condition or harm our control environment.

Our business could be materially and adversely affected if our management information systems are disrupted or if we are unable to successfully install new systems or improve, upgrade, integrate or expand upon our existing systems.

We Face Risks Trying to Attract and Retain Qualified Employees to Support Our Operations.

Our success depends to a significant extent upon the continued service of our key senior management, sales and technical personnel, any of whom may be difficult to replace. Competition for qualified employees is intense, and our business could be adversely affected by the loss of the services of any of our existing key personnel, including senior management, as a result of competition or for any other reason. We do not have employment agreements with our key employees, including senior management or other contracts that would prevent our key employees from working for our competitors in the event they cease working for us. We cannot assure you that we will be successful in our efforts to retain key employees or in hiring and properly training sufficient numbers of qualified personnel and in effectively managing our growth. Our inability to attract, retain, motivate and train qualified new personnel could have a material adverse effect on our business.

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Difficulties Consolidating and Integrating Our Operations - We Face Challenges as We Integrate Diverse Operations.

We have experienced, and expect to continue to experience, change in the scope and complexity of our operations resulting primarily from existing and future facility consolidations, strategic acquisitions, joint ventures and other partnering arrangements. Some of the risks from these activities include those associated with the following:

- increasing the scope, geographic diversity and complexity of our operations;
- conforming an acquired company's standards, practices, systems and controls with our operations;
- increasing complexity from combining recent acquisitions of an acquired business;
- unexpected losses of key employees or customers of an acquired business; other difficulties in the assimilation of acquired operations, technologies or products and
- diversion of management and other resources from other parts of our operations and adverse effects on existing business relationships with customers.

In connection with these activities, we may:

- use a significant portion of our available cash;
- issue equity securities, which may dilute the ownership of current stockholders;
- incur substantial debt;
- incur or assume known or unknown contingent liabilities and
- incur large, immediate accounting write offs and face antitrust or other regulatory inquiries or actions.

For example, the businesses we have acquired had, at the time of acquisition, multiple systems for managing their own production, sales, inventory and other operations. Migrating these businesses to our systems typically is a slow, expensive process requiring us to divert significant resources from other parts of our operations. We may continue to face these challenges in the future. For example, on July 31, 2013, we completed the purchase of Amkor Technology Malaysia Sdn. Bhd. Additionally, we increased our investment in J-Devices to 60% in 2013 and to 100% in 2015 through the exercise of additional options, and as a result, we are now integrating J-Devices with our existing operations. In addition, J-Devices continues to integrate the acquisitions it has previously completed with its operations. As a result of the risks discussed above, the anticipated benefits of the increase in our investment in J-Devices or other future acquisitions, consolidations and partnering arrangements may not be fully realized, if at all, and these activities could have a material adverse effect on our business, financial condition and results of operations.

Dependence on Materials and Equipment Suppliers - Our Business May Suffer If the Cost, Quality or Supply of Materials or Equipment Changes Adversely Including Any Disruption that May Occur in the Supply of Certain Materials due to Regulations and Customer Requirements.

We obtain from various vendors the materials and equipment required for the packaging and test services performed by our factories. We source most of our materials, including critical materials such as leadframes, laminate substrates and gold wire, from a limited group of suppliers. A disruption to the operations of one or more of our suppliers could have a negative impact on our business. For example, the severe earthquake and tsunami in Japan in 2011 had a significant adverse effect on the electronics industry supply chain by impacting the supply of specialty chemicals, substrates, silicon wafers, equipment and other supplies to the electronics industry. In addition, we purchase the majority of our materials on a purchase order basis. Our business may be harmed if we cannot obtain materials and other supplies from our vendors in a timely manner, in sufficient quantities, at acceptable quality or at competitive prices. Some of our customers are also dependent on a limited number of suppliers for certain materials and silicon wafers. Shortages or disruptions in our customers' supply channels could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, the shortage in the supply of 28 nanometer wafers to some of our customers in 2012 delayed or otherwise adversely impacted the demand for certain of our advanced packaging and test services.

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Rules adopted by the Securities and Exchange Commission implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act impose diligence and disclosure requirements regarding the use of certain minerals originating from the conflict zones of the Democratic Republic of Congo and adjoining countries in our products. Industry associations and many of our customers are also implementing initiatives to improve transparency and accountability concerning the supply of these materials and, in some cases, requiring us to certify that the covered materials we use in our packages do not come from the conflict areas. We may incur additional costs associated with complying with these requirements and customer initiatives. These requirements and customer initiatives could affect the pricing, sourcing and availability of materials used in the manufacture of semiconductor devices, and we cannot assure you that we will be able to obtain conflict-free materials in sufficient quantities and at competitive prices or that we will be able to verify the origin of all of the materials we use in our manufacturing process. If we are unable to meet these requirements and customer initiatives, it could adversely affect our business as some customers may move their business to other suppliers. Our reputation could also be adversely affected.

We purchase new packaging and test equipment to maintain and expand our operations. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by equipment vendors. For example, in the past, increased demand for equipment caused some equipment suppliers to only partially satisfy our equipment orders in the normal time frame or to increase prices during market upturns for the semiconductor industry. The unavailability of equipment or failures to deliver equipment on a timely basis could delay or impair our ability to meet customer orders. If we are unable to meet customer orders, we could lose potential and existing customers. Generally, we acquire our equipment on a purchase order basis and do not enter into long-term equipment agreements. As a result, we could experience adverse changes in pricing, currency risk and potential shortages in equipment in a strong market, which could have a material adverse effect on our results of operations.

We are a large buyer of gold and other commodity materials including substrates and copper. The prices of gold and other commodities used in our business fluctuate. Historically, we have been able to partially offset the effect of commodity price increases through price adjustments to some customers and changes in our product designs that reduce the material content and cost, such as the use of shorter, thinner, gold wire and migration to copper wire. However, we typically do not have long-term contracts that permit us to impose price adjustments, and market conditions may limit our ability to do so. Significant price increases may adversely impact our gross margin in future periods to the extent we are unable to pass along past or future commodity price increases to our customers.

Customer Concentration and Loss of Customers - The Loss of Certain Customers or Reduced Orders or Pricing from Existing Customers May Have a Significant Adverse Effect on Our Operations and Financial Results.

We have derived and expect to continue to derive a large portion of our revenues from a small group of customers during any particular period due in part to the concentration of market share in the semiconductor industry. Our ten largest customers together accounted for 63% of our net sales for the year ended December 31, 2015, and two customers each accounted for more than 10% of our consolidated net sales during the period. In addition, we have significant customer concentration within our end markets, particularly mobile communications. The loss of a significant customer, a business combination among our customers, a reduction in orders or decrease in price from a significant customer or disruption in any of our significant strategic partnerships or other commercial arrangements may result in a decline in our sales and profitability and could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows.

The demand for our services from each customer is directly dependent upon that customer's level of business activity and purchasing decisions, the quality and price of our services, our cycle time and delivery performance, the customer's qualification of additional competitors on products we package or test and a number of other factors. Each of these factors could vary significantly from year to year resulting in the loss or reduction of customer orders. Our business is likely to remain subject to this variability in order levels, and we cannot assure you that our key customers or any other customers will continue to place orders with us in the future at the same levels as in past periods.

For example, if a key customer decides to purchase wafers from a semiconductor foundry that provides packaging and test services, our business could be reduced if the customer also engages that foundry for related packaging and test services. We cannot assure that customer decisions regarding the purchase of semiconductor wafers will not significantly and adversely impact customer demand for our packaging and test services.

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In addition, from time to time we may acquire or build new facilities, such as our new factory and research and development center in Korea, or migrate existing business among our facilities. In connection with these facility changes, our customers require us to re-qualify the new facilities even though we have already qualified to perform the services at our other facilities. We cannot assure that we will successfully re-qualify or that our customers will not qualify our competitors and move the business for such services.

Capital Expenditures - We Make Substantial Investments in Equipment and Facilities To Support the Demand Of Our Customers, Which May Adversely Affect Our Business If the Demand Of Our Customers Does Not Develop As We Expect or Is Adversely Affected.

We make significant investments in equipment and facilities in order to service the demand of our customers. For example, we expect that our 2016 capital expenditures will be approximately \$650 million. The amount of our capital expenditures depends on several factors, including the performance of our business, our assessment of future industry and customer demand, our capacity utilization levels and availability, our liquidity position and the availability of financing. Our ongoing capital expenditure requirements may strain our cash and short-term asset balances, and, in periods when we are expanding our capital base, we expect that depreciation expense and factory operating expenses associated with our capital expenditures to increase production capacity will put downward pressure on our gross margin, at least over the near term. From time to time, we also make significant capital expenditures based on specific business opportunities with one or a few key customers, and the additional equipment purchased may not be readily usable to support other customers. If demand is insufficient to fill our capacity, or we are unable to efficiently redeploy such equipment, our capacity utilization and gross margin could be negatively impacted. Our capital expenditures or cost per square foot may increase as we transition to new or more advanced packaging and test technologies because, among other things, new equipment used for these technologies is generally more expensive and often our existing equipment cannot be redeployed in whole or part for these technologies.

Furthermore, if we cannot generate or raise additional funds to pay for capital expenditures, particularly in some of the advanced packaging and bumping areas, as well as research and development activities, our growth and future profitability may be adversely affected. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing;
- volatility in fixed income, credit and equity markets and
- economic, political and other global conditions.

The lead time needed to order, install and put into service various capital investments is often significant, and, as a result, we often need to commit to capital expenditures in advance of our receipt of firm orders or advance deposits based on our view of anticipated future demand with only very limited visibility. Although we seek to limit our exposure in this regard, in the past we have from time to time expended significant capital for additional equipment or facilities for which the anticipated demand did not materialize for a variety of reasons, many of which were outside of our control. To the extent this occurs in the future, our business, liquidity, results of operations, financial condition and cash flows could be materially adversely affected.

In addition, during periods where customer demand exceeds our capacity, customers may transfer some or all of their business to other suppliers who are able to support their needs. To the extent this occurs, our business, liquidity, results of operations, financial condition and cash flows could be materially adversely affected.

In September 2014, we started the construction of our new K5 facility in Korea. The land purchase agreement includes various construction, investment, hiring, regulatory and other compliance obligations. There can be no assurance regarding when our new K5 facility in Korea will be fully utilized, or that the actual scope, costs timeline or benefits of the project will be consistent with our current expectations.

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Impairment Charges - Any Impairment Charges Required Under U.S. GAAP May Have a Material Adverse Effect on Our Net Income.

Under U.S. GAAP, we review our long-lived assets including property, plant and equipment, intellectual property, goodwill and other intangibles for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider include significant under-performance relative to expected historical or projected future operating results, significant negative industry or economic trends and our market capitalization relative to net book value. We may be required in the future to record a significant charge to earnings in our financial statements during the period in which any impairment of our long-lived assets is determined. Such charges have had and could have a significant adverse impact on our results of operations and our operating flexibility under our debt covenants.

Litigation Incident to Our Business Could Adversely Affect Us.

We have been a party to various legal proceedings, including those described from time to time in our reports filed with the SEC, and may be a party to legal proceedings in the future. These proceedings could require significant management time and resources and, if an unfavorable ruling or outcome were to occur in these legal proceedings, there could be a material adverse impact on our business, liquidity, results of operations, financial condition, cash flows and the trading price of our securities.

We Could Suffer Adverse Tax and Other Financial Consequences if There Are Changes in Tax Laws or Taxing Authorities Do Not Agree with Our Interpretation of Applicable Tax Laws, Including Whether We Continue to Qualify for Our Tax Holidays, or if We Are Required to Establish or Adjust Valuation Allowances on Deferred Tax Assets.

Our operations are subject to tax in multiple jurisdictions with complicated and varied tax regimes. Tax laws and income tax rates in these jurisdictions are subject to change due to economic and political conditions. Changes in U.S. or foreign tax laws could have a material adverse impact on our liquidity, results of operations, financial condition and cash flows. For example, in the U.S., there have been proposals to change U.S. tax laws that would significantly impact how U.S. corporations are taxed on foreign earnings. We earn a substantial portion of our income in foreign countries. In addition, changes in tax laws or regulations enacted in response to guidelines proposed by organizations such as the Organisation for Economic Co-operation and Development regarding transfer pricing and other international tax matters relating to multinational companies like Amkor could also adversely impact our future liability for income taxes in the jurisdictions where we operate. Although we cannot predict whether or in what form any of these proposals might be enacted into law, if adopted they could have a material adverse impact.

Our corporate structure and operations are based, in part, on interpretations of various U.S. and foreign tax laws, including tax withholding requirements, compliance with tax holiday requirements, application of changes in tax law to our operations and other relevant laws of applicable taxing jurisdictions. From time to time, the taxing authorities of the relevant jurisdictions may conduct examinations of our income tax returns and other regulatory filings. We cannot assure you that the taxing authorities will agree with our interpretations, including whether we continue to qualify for our tax holidays. To the extent they do not agree, we may seek to enter into settlements with the taxing authorities which require significant payments or otherwise adversely affect our results of operations or financial condition. We may also appeal the taxing authorities' determinations to the appropriate governmental authorities, but we cannot be sure we will prevail. If we do not prevail, we may have to make significant payments or otherwise record charges (or reduce tax assets) that adversely affect our results of operations, financial condition and cash flows. Additionally, certain of our subsidiaries operate under tax holidays, which will expire in whole or in part at various dates in the future. As those tax holidays expire, our tax expense will increase as income from those jurisdictions becomes subject to higher statutory income tax rates, thereby reducing our liquidity and cash flow.

We monitor on an ongoing basis our ability to utilize our deferred tax assets and whether there is a need for a related valuation allowance. In evaluating our ability to recover our deferred tax assets, in the jurisdictions from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. For most of our foreign deferred tax assets, we consider it more likely than not that we will have sufficient taxable income to allow us to realize these deferred tax assets. In the event taxable income falls short of current expectations, we may need to establish a valuation allowance against such deferred tax assets, which could materially affect our results of operations.

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Intellectual Property - Our Business Will Suffer if We Are Not Able to Develop New Proprietary Technology, Protect Our Proprietary Technology and Operate Without Infringing the Proprietary Rights of Others.

The complexity and breadth of semiconductor packaging and test services are rapidly increasing. As a result, we expect that we will need to develop, acquire and implement new manufacturing processes and packaging technologies and tools in order to respond to competitive industry conditions and customer requirements. Technological advances also typically lead to rapid and significant price erosion and may make our existing packages less competitive or our existing inventories obsolete. If we cannot achieve advances in packaging design or obtain access to advanced packaging designs developed by others, our business could suffer.

The need to develop and maintain advanced packaging capabilities and equipment could require significant research and development, capital expenditures and acquisitions in future years. In addition, converting to new packaging designs or process methodologies could result in delays in producing new package types, which could adversely affect our ability to meet customer orders and adversely impact our business.

The process of seeking patent protection takes a long time and is expensive. There can be no assurance that patents will issue from pending or future applications or that, if patents are issued, the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Any patents we do obtain will eventually expire, may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us.

Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. There can be no assurance that other countries in which we market our services will protect our intellectual property rights to the same extent as the U.S.

Our competitors may develop, patent or gain access to know-how and technology similar or superior to our own. In addition, many of our patents are subject to cross licenses, several of which are with our competitors. The semiconductor industry is characterized by frequent claims regarding the infringement of patent and other intellectual property rights. If any third party makes an enforceable infringement claim against us or our customers, we could be required to:

- discontinue the use of certain processes or cease to provide the services at issue, which could curtail our business;
- pay substantial damages;
- develop non-infringing technologies, which may not be feasible or
- acquire licenses to such technology, which may not be available on commercially reasonable terms or at all.

We may need to enforce our patents or other intellectual property rights, including our rights under patent and intellectual property licenses with third parties, or defend ourselves against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources. Furthermore, if we fail to obtain necessary licenses, our business could suffer, and we could be exposed to claims for damages and injunctions from third parties, as well as claims from our customers for indemnification. In the past, we have been involved in legal proceedings involving the acquisition and license of intellectual property rights, the enforcement of our existing intellectual property rights or the enforcement of the intellectual property rights of others. Unfavorable outcomes in any legal proceedings involving intellectual property could result in significant liabilities and could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows. The potential impact from the legal proceedings referred to in this Quarterly Report on our results of operations, financial condition and cash flows could change in the future.

Packaging and Test Processes Are Complex and Our Production Yields and Customer Relationships May Suffer from Defects in the Services We Provide or if We Do Not Successfully Implement New Technologies.

Semiconductor packaging and test services are complex processes that require significant technological and process expertise. Defective packages primarily result from:

- contaminants in the manufacturing environment;
- human error;

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- equipment malfunction;
- changing processes to address environmental requirements;
- defective raw materials or
- defective plating services.

Test is also complex and involves sophisticated equipment and software. Similar to many software programs, these software programs are complex and may contain programming errors or “bugs.” The test equipment is also subject to malfunction. In addition, the test process is subject to operator error.

These and other factors have, from time to time, contributed to lower production yields. They may also do so in the future, particularly as we adjust our capacity, change our processing steps or ramp new technologies. In addition, we must continue to develop and implement new packaging and test technologies, and expand our offering of packages to be competitive. Our production yields on new packages, particularly those packages which are based on new technologies, typically are significantly lower than our production yields on our more established packages.

Our failure to maintain quality standards or acceptable production yields, if significant and prolonged, could result in loss of customers, increased costs of production, delays, substantial amounts of returned goods and claims by customers relating thereto. Any of these problems could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows.

In addition, in line with industry practice, new customers usually require us to pass a lengthy and rigorous qualification process that may take several months. If we fail to qualify packages with potential customers or existing customers, such failure could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Competition - We Compete Against Established Competitors in the Packaging and Test Business as Well as Internal Customer Capabilities and May Face Competition from New Competitors, Including Foundries.

The outsourced semiconductor packaging and test market is very competitive. We face substantial competition from established and emerging packaging and test service providers primarily located in Asia, including companies with significantly greater processing capacity, financial resources, local presence, research and development operations, marketing, technology and other capabilities. We also may face increased competition from domestic companies located in the People's Republic of China, or the PRC, where there are government-supported efforts to promote the development and growth of the local semiconductor industry. For example, STATS ChipPAC was acquired in 2015 by Jiangsu Electronics Technology Co., Ltd., a local PRC company. Our competitors may also have established relationships, or enter into new strategic relationships, with one or more of the large semiconductor companies that are our current or potential customers, or key suppliers to these customers. Consolidation among our competitors could also strengthen their competitive position. For example, in 2016, Advanced Semiconductor Engineering, Inc. and Siliconware Precision Industries Co., Ltd. announced their intention to become sister companies under a new joint holding company.

We also face competition from the internal capabilities and capacity of many of our current and potential IDM and foundry customers. In addition, we compete with contract foundries, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co., Ltd., which offer full turnkey services from silicon wafer fabrication through packaging and final test. These semiconductor foundries, which are substantially larger and have greater financial resources than we do, have expanded their operations to include packaging and test services, and may continue to expand these capabilities in the future.

We cannot assure you that we will be able to compete successfully in the future against our existing or potential competitors or that our customers will not rely on internal sources for packaging and test services, or that our business, liquidity, results of operations, financial condition and cash flows will not be adversely affected by such increased competition.

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Environmental, Health & Safety Laws and Initiatives - Future Environmental, Health & Safety Laws and Initiatives Could Place Additional Burdens on Our Manufacturing Operations.

The semiconductor packaging process generates by-products that are subject to extensive governmental regulations. For example, at our foreign facilities we produce liquid waste when semiconductor wafers are diced into chips with the aid of diamond saws, then cooled with running water. In addition, semiconductor packages have historically utilized metallic alloys containing lead (Pb) within the interconnect terminals typically referred to as leads, pins or balls. Environmental, health and safety laws and regulations in places we do business, impose various controls on the use, storage, handling, discharge and disposal of chemicals used in our production processes and on the factories we occupy and are increasingly imposing restrictions on the materials contained in semiconductor products. We may become liable under these environmental, health and safety laws and regulations for the cost of compliance and cleanup of any disposal or release of hazardous materials arising out of our former or current operations, or otherwise as a result of the existence of hazardous materials on our properties. In such an event, we could be held liable for damages, including fines, penalties and the cost of investigations and remedial actions, and could also be subject to revocation of permits negatively affecting our operations.

Public attention has focused on the environmental impact of semiconductor operations and the risk to neighbors of chemical releases from such operations and to the materials contained in semiconductor products. For example, the European Union's Restriction of Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive and similar laws in other jurisdictions impose strict restrictions on the use of lead and other hazardous substances in electrical and electronic equipment. In addition, increasing climate change and environmental concerns could result in our customers requesting that we and our suppliers exceed regulatory standards. Complying with existing and possible future environmental, health and safety laws or related customer requests may impose upon us the need for additional equipment or other process requirements, restrict our ability to expand our operations, disrupt our operations, increase costs, subject us to liability or cause us to curtail our operations. Furthermore, energy costs in general could increase significantly due to climate change and other regulations.

Our Business and Financial Condition Could be Adversely Affected by Natural Disasters and Other Calamities.

We have significant packaging and test and other operations in locations which are subject to natural disasters, such as earthquakes, tsunamis, typhoons, floods, droughts, volcanoes and other severe weather and geological events, and other calamities, such as fire; the outbreak of infectious diseases (such as Ebola, SARs or flu); industrial strikes; breakdowns of equipment; difficulties or delays in obtaining materials, equipment, utilities and services; political events; acts of war and terrorist incidents; industrial accidents and other events, that could disrupt or even shutdown our operations. In addition, our suppliers and customers also have significant operations in such locations. In the event of such a disruption or shutdown, we may be unable to reallocate production to other facilities in a timely or cost-effective manner (if at all) and we may not have sufficient capacity to service customer demands in our other facilities. A natural disaster or other calamity that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

For example, in April 2016, our Kumamoto factory was damaged by earthquakes in Japan. While production has been restored at Kumamoto, our sales in the second quarter were reduced by approximately \$15 million due to the temporary disruption in operations. We incurred \$13.3 million of earthquake related costs in the second quarter for damaged inventory, buildings and equipment. There can be no assurance that the actual final costs and financial impact will be consistent with our current expectations, and additional repair costs and capital expenditures or shortfalls in insurance payments could result in a more significant impact on our results of operations and cash flows.

Also, Japan experienced a severe earthquake and tsunami in 2011 that resulted in significant disruption in the electronics industry supply chain and adversely affected Japan's economy and consumer spending. In addition, in October 2011, Thailand experienced substantial flooding which affected the facilities and operations of customers and suppliers in our industry. In addition, some of the processes that we utilize in our operations place us at risk of fire and other damage. For example, highly flammable gases are used in the preparation of wafers holding semiconductor devices for flip chip packaging. Although we maintain insurance policies for various types of property, casualty and other risks, we do not carry insurance for all the above referred risks, and with regard to the insurance we do maintain, we cannot assure you that it would be sufficient to cover all of our potential losses. As a result, our business, financial condition, results of operations and cash flows could be adversely affected by natural disasters and other calamities.

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Mr. James J. Kim and Members of His Family Can Effectively Determine or Substantially Influence The Outcome of All Matters Requiring Stockholder Approval.

As of June 30, 2016, Mr. James J. Kim, the Executive Chairman of our Board of Directors, members of Mr. Kim's immediate family and affiliates owned approximately 137.6 million shares, or approximately 58%, of our outstanding common stock. The Kim family also has options to acquire approximately 0.4 million shares. If the options are exercised, the Kim family's total ownership would be an aggregate of approximately 138.0 million shares of our outstanding common stock or approximately 58% of our outstanding common stock.

In June 2013, the Kim family exchanged their convertible notes issued by Amkor for approximately 49.6 million shares of common stock (the "Convert Shares"). The Convert Shares are subject to a voting agreement. The agreement requires the Kim family to vote these shares in a "neutral manner" on all matters submitted to our stockholders for a vote, so that such Convert Shares are voted in the same proportion as all of the other outstanding securities (excluding the other shares owned by the Kim family) that are actually voted on a proposal submitted to Amkor's stockholders for approval. The Kim family is not required to vote in a "neutral manner" any Convert Shares that, when aggregated with all other voting shares held by the Kim family, represent 41.6% or less of the total then-outstanding voting shares of our common stock. The voting agreement for the Convert Shares terminates upon the earliest of (i) such time as the Kim family no longer beneficially owns any of the Convert Shares, (ii) consummation of a change of control (as defined in the voting agreement) or (iii) the mutual agreement of the Kim family and Amkor.

Mr. James J. Kim and his family and affiliates, acting together, have the ability to effectively determine or substantially influence matters submitted for approval by our stockholders by voting their shares or otherwise acting by written consent, including the election of our Board of Directors. There is also the potential, through the election of members of our Board of Directors, that the Kim family could substantially influence matters decided upon by our Board of Directors. This concentration of ownership may also have the effect of impeding a merger, consolidation, takeover or other business consolidation involving us, or discouraging a potential acquirer from making a tender offer for our shares, and could also negatively affect our stock's market price or decrease any premium over market price that an acquirer might otherwise pay. Concentration of ownership also reduces the public float of our common stock. There may be less liquidity and higher price volatility for the stock of companies with a smaller public float compared to companies with broader public ownership. Also, the sale or the prospect of the sale of a substantial portion of the Kim family shares may adversely affect the market price of our stock.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Repurchase of Equity Securities

The following table provides information regarding repurchases of our common stock during the three months ended June 30, 2016.

<u>Period</u>	<u>Total Number of Shares Purchased (a)</u>	<u>Average Price Paid Per Share (\$)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$)</u> (b)
April 1 - April 30	—	\$ —	—	\$ 91,586,032
May 1 - May 31	20,980	5.66	—	91,586,032
June 1 - June 30	—	—	—	91,586,032
Total	<u>20,980</u>	<u>\$ 5.66</u>	<u>—</u>	

- (a) Represents shares of common stock surrendered to us to satisfy tax withholding obligations associated with the vesting of restricted shares issued to employees.
- (b) Our Board of Directors previously authorized the repurchase of up to \$300 million of our common stock, \$150 million in August 2011 and \$150 million in February 2012, exclusive of any fees, commissions or other expenses. For the three months ended June 30, 2016, we made no common stock purchases, and at June 30, 2016, approximately \$91.6 million was available pursuant to the stock repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The consolidated financial statements of J-Devices Corporation (restated to correct an error as discussed in Note 17 to the Consolidated Financial Statements in Part 1, Item 1, of this Quarterly Report on Form 10-Q) for the years ended December 31, 2015 (audited), 2014 (audited), 2013 (unaudited), are included in this Quarterly Report on Form 10-Q as Exhibit 99.1.

The exhibits required by Item 601 of Regulation S-K which are filed with this report are set forth in the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMKOR TECHNOLOGY, INC.

By: /s/ Joanne Solomon
Joanne Solomon
Executive Vice President and
Chief Financial Officer, Chief
Accounting Officer and Duly
Authorized Officer

Date: August 8, 2016

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	Amendment No. 2 to Amended and Restated 2007 Equity Incentive Plan.*
23.1	Consent of PricewaterhouseCoopers Arata
31.1	Certification of Stephen D. Kelley, President and Chief Executive Officer of Amkor Technology, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Joanne Solomon, Executive Vice President and Chief Financial Officer of Amkor Technology, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Consolidated Financial Statements of J-Devices Corporation (updated to correct an error as discussed in Note 17 to the Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
	* Indicates management compensatory plan, contract or arrangement.

AMENDMENT NO. 2 TO AMKOR TECHNOLOGY, INC.
AMENDED AND RESTATED 2007 EQUITY INCENTIVE PLAN

THIS AMENDMENT NO. 2 to the Amkor Technology, Inc. Amended and Restated 2007 Equity Incentive Plan (the “Plan”) is made by **AMKOR TECHNOLOGY, INC.**, a Delaware corporation (the “Company”).

WHEREAS, pursuant to Section 21 of the Plan, the Board of Directors of the Company has the authority to amend the Plan.

NOW THEREFORE, effective July 29, 2016, the Plan is hereby amended as follows:

1. Section 17(b) of the Plan is hereby amended and restated in its entirety as follows:

“(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value up to the maximum individual statutory rate for each applicable jurisdiction, (c) delivering to the Company already-owned Shares having a Fair Market Value up to the maximum individual statutory rate for each applicable jurisdiction, or (d) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) up to the maximum individual statutory rate for each applicable jurisdiction. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld. Notwithstanding anything contained herein to the contrary, any Participant who is subject to Section 16 of the Exchange Act may satisfy his or her tax withholding obligations by directing the Company to withhold a number of Shares from those that he or she would otherwise receive upon the exercise, vesting or settlement of an Award having a Fair Market Value (determined as of the date on which the withholding obligation arises) up to the maximum individual statutory rate for each applicable jurisdiction.”

2. Except as expressly amended hereby, the Plan shall remain unmodified and in full force and effect.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-62891, 333-86161, 333-63430, 333-100814 and 333-149376) of Amkor Technology, Inc. of our report dated February 19, 2016, except for the effects of the restatement described in Note 3 to the consolidated financial statements, as to which the date is August 5, 2016, relating to the consolidated financial statements of J-Devices Corporation, which appears in Item 6 of the Quarterly Report on Form 10-Q of Amkor Technology, Inc. dated August 8, 2016.

/s/PricewaterhouseCoopers Aarata LLC
Tokyo, Japan
August 8, 2016

SECTION 302 CERTIFICATION

I, Stephen D. Kelley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amkor Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ Stephen D. Kelley

Stephen D. Kelley

President and Chief Executive Officer

August 8, 2016

SECTION 302 CERTIFICATION

I, Joanne Solomon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amkor Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ Joanne Solomon

Joanne Solomon
Executive Vice President and
Chief Financial Officer

August 8, 2016

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amkor Technology, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen D. Kelley, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen D. Kelley

Stephen D. Kelley

President and Chief Executive Officer

August 8, 2016

In connection with the Quarterly Report of Amkor Technology, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joanne Solomon, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joanne Solomon

Joanne Solomon

Executive Vice President and
Chief Financial Officer

August 8, 2016

J-Devices Corporation

Consolidated Financial Statements
For the years ended December 31, 2015, 2014 and 2013

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of J-Devices Corporation:

We have audited the accompanying consolidated financial statements of J-Devices Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of J-Devices Corporation and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for the balance sheet classification of deferred taxes in 2015 due to the adoption of Accounting Standards Update 2015-17, *Balance Sheet Classification of Deferred Taxes*. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the consolidated financial statements, the Company has restated its 2014 and 2015 financial statements to correct errors. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year ended December 31, 2013 were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

/s/ PricewaterhouseCoopers Aarata LLC

Tokyo, Japan

February 19, 2016, except for the effects of the restatement discussed in Note 3 to the consolidated financial statements, as to which the date is August 5, 2016

J-DEVICES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	For the Year Ended December 31,		
	2015 (As Restated)	2014 (As Restated)	2013 (As Restated) (unaudited)
	(In thousands)		
Net sales	\$ 812,938	\$ 923,020	\$ 825,135
Cost of sales	708,212	799,778	741,357
Gross profit	104,726	123,242	83,778
Selling, general and administrative	44,757	50,605	51,306
Research and development	16,522	15,914	11,633
Total operating expenses	61,279	66,519	62,939
Operating income	43,447	56,723	20,839
Interest expense	1,243	2,549	3,481
Other income, net	(286)	(14,464)	(3,339)
Total other expense (income), net	957	(11,915)	142
Income before taxes	42,490	68,638	20,697
Income tax expense	21,836	19,967	4,859
Net income	\$ 20,654	\$ 48,671	\$ 15,838

The accompanying notes are an integral part of these statements.

J-DEVICES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Year Ended December 31,		
	2015 (As Restated)	2014 (As Restated)	2013 (As Restated) (unaudited)
	(In thousands)		
Net income	\$ 20,654	\$ 48,671	\$ 15,838
Other comprehensive income (loss), net of tax			
Adjustments to unrealized components of defined benefit pension plans	523	(826)	1,846
Foreign currency translation adjustment	(142)	(30,169)	(27,584)
Total other comprehensive income (loss)	381	(30,995)	(25,738)
Comprehensive income (loss)	\$ 21,035	\$ 17,676	\$ (9,900)

The accompanying notes are an integral part of these statements.

**J-DEVICES CORPORATION
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2015 (As Restated)	2014 (As Restated)
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 127,968	\$ 115,841
Accounts receivable	180,177	214,164
Inventories	40,611	33,053
Other current assets	2,363	22,467
Total current assets	351,119	385,525
Property, plant and equipment, net	201,323	197,393
Other assets	13,202	7,533
Total assets	\$ 565,644	\$ 590,451
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 36,770	\$ 35,652
Trade accounts payable	173,744	165,619
Capital expenditures payable	29,471	28,837
Accrued expenses	48,189	71,515
Total current liabilities	288,174	301,623
Long-term debt	18,885	44,940
Pension obligations	22,250	29,673
Other non-current liabilities	18,793	17,708
Total liabilities	348,102	393,944
Commitments and contingencies (Note 1)		
Stockholders' Equity:		
Common stock, no par value, 160,000 shares authorized, 64,445 shares issued and outstanding in 2015 and 2014	53,703	53,703
Additional paid-in capital	34,197	34,197
Retained earnings	185,527	164,873
Accumulated other comprehensive loss	(55,885)	(56,266)
Total stockholders' equity	217,542	196,507
Total liabilities and stockholders' equity	\$ 565,644	\$ 590,451

The accompanying notes are an integral part of these statements.

J-DEVICES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Value				
(In thousands, except share data)						
Balance at December 31, 2012 (unaudited)	36,826	\$ 19,506	\$ —	\$ 100,364	\$ 467	\$ 120,337
Net income	—	—	—	15,838	—	15,838
Other comprehensive loss	—	—	—	—	(25,738)	(25,738)
Issuance of stock	27,619	34,197	34,197	—	—	68,394
Balance at December 31, 2013 (unaudited)	64,445	\$ 53,703	\$ 34,197	\$ 116,202	\$ (25,271)	\$ 178,831
Net income	—	—	—	48,671	—	48,671
Other comprehensive loss	—	—	—	—	(30,995)	(30,995)
Balance at December 31, 2014	64,445	\$ 53,703	\$ 34,197	\$ 164,873	\$ (56,266)	\$ 196,507
Net income	—	—	—	20,654	—	20,654
Other comprehensive income	—	—	—	—	381	381
Balance at December 31, 2015	64,445	\$ 53,703	\$ 34,197	\$ 185,527	\$ (55,885)	\$ 217,542

The accompanying notes are an integral part of these statements.

J-DEVICES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2015 (As Restated)	2014 (As Restated)	2013 (As Restated) (unaudited)
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 20,654	\$ 48,671	\$ 15,838
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	70,609	77,238	66,062
Amortization of deferred debt issuance costs and premiums	63	452	761
Deferred income taxes	9,010	(5,218)	(4,604)
Gain from acquisition of business	(255)	(14,739)	(2,724)
Loss on debt retirement	311	—	—
Loss on disposal of fixed assets, net	345	2,861	507
Other, net	135	622	1,743
Changes in assets and liabilities:			
Accounts receivable	34,142	(19,627)	(99,612)
Inventories	(7,493)	3,495	32,059
Other current assets	759	149	7,115
Other assets	(2,465)	(73)	(1,394)
Trade accounts payable	7,894	4,943	112,219
Accrued expenses	(17,040)	16,995	22,022
Pension obligations	(7,210)	7,501	5,715
Other non-current liabilities	6,003	6,164	(2,609)
Net cash provided by operating activities	<u>115,462</u>	<u>129,434</u>	<u>153,098</u>
Cash flows from investing activities:			
Payments for property, plant and equipment	(70,343)	(53,171)	(33,666)
Proceeds from sale of property, plant and equipment	285	1,941	97
Acquisition of business, net of cash acquired	(1,633)	(3,425)	(59,207)
Cash received on acquisition of business from Amkor, net of payments	—	15,777	—
Proceeds from short-term investment	66	—	—
Other investing activities	1,535	(11)	(13)
Net cash used in investing activities	<u>(70,090)</u>	<u>(38,889)</u>	<u>(92,789)</u>
Cash flows from financing activities:			
Borrowings under short-term credit facilities	38,420	28,248	30,223
Payments under short-term credit facilities	(29,779)	(29,970)	(54,323)
Proceeds from issuance of long-term debt	38,193	—	—
Payments of long-term debt	(72,832)	(36,705)	(34,235)
Payments of capital lease obligations	(1,621)	(1,794)	(1,952)
Payments of capital lease obligations to Amkor	—	—	(8,843)
Proceeds from issuance of stock	—	—	68,394
Payments of deferred consideration for acquisition of business from Amkor	(8,355)	—	—
Net cash (used in) provided by financing activities	<u>(35,974)</u>	<u>(40,221)</u>	<u>(736)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	2,729	(18,619)	(10,574)
Net increase in cash and cash equivalents	12,127	31,705	48,999
Cash and cash equivalents, beginning of period	115,841	84,136	35,137
Cash and cash equivalents, end of period	<u>\$ 127,968</u>	<u>\$ 115,841</u>	<u>\$ 84,136</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ 1,259	\$ 2,451	\$ 1,551
Income taxes	15,679	6,446	1,406
Non-cash investing activities:			
Additions to property, plant and equipment included in capital expenditures payable	29,471	28,837	19,427
Equipment acquired through capital leases	1,754	2,161	798

The accompanying notes are an integral part of these statements.

J-DEVICES CORPORATION
Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

In October 2009, Amkor Technology, Inc. ("Amkor") and Toshiba Corporation ("Toshiba") invested in Nakaya Microdevices Corporation ("NMD"), a semiconductor company with a history dating back to 1970, to form a joint venture in Japan. As a result of the transaction, NMD was owned 60% by the former shareholders of NMD, 30% by Amkor and 10% by Toshiba, and changed its name to J-Devices Corporation ("J-Devices"). In April 2013, Amkor completed the exercise of their option and purchased 27,619 new common shares for an aggregate purchase price of \$68.4 million. The transaction increased Amkor's ownership interest to 60.0% and decreased the ownership interest of the former shareholders of NMD to 34.3% and Toshiba to 5.7%. In January 2015, Amkor purchased shares from Toshiba, which increased their ownership interest to 65.7%. In December 2015, Amkor purchased shares from the former shareholders of NMD and increased their ownership interest to 100%, which caused certain governance restrictions to lapse and allowed Amkor to obtain control.

J-Devices is the largest provider of outsourced semiconductor packaging and test services in Japan. Semiconductor manufacturing is broadly divided into wafer processing and packaging and test processing; wafer processing refers to the process of making wafers (semiconductor components). J-Devices' business solutions enable customers to outsource the packaging and test process via a turn-key solution; from wafer test through to packaging and all other evaluation test processes.

Basis of Presentation

Our Consolidated Financial Statements include the accounts of J-Devices Corporation and our subsidiaries ("J-Devices"). Our Consolidated Financial Statements reflect the elimination of all significant inter-company accounts and transactions. We completed the purchase of a legal entity consisting of three factories from Renesas Electronics Corporation ("Renesas") on June 1, 2013, Amkor Iwate Company, Ltd. ("AIC") from Amkor on June 30, 2014, and part of the manufacturing business at Renesas Semiconductor Singapore Pte. Ltd. from Renesas on August 3, 2015. The financial results of the entities have been included in our Consolidated Financial Statements from the dates of acquisition (Note 4).

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to acquisitions, revenue recognition, income taxes, inventory, long lived assets and contingencies. These estimates are based on management's best knowledge of current events, historical experience, actions that we may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results could differ materially from those estimates and assumptions.

We have evaluated subsequent events through August 5, 2016, which is the date the financial statements were issued. These financial statements have been prepared pursuant to Rule 3-09 of SEC Regulation S-X for inclusion in the Form 10-K of Amkor, as we were an equity-method investee of Amkor before Amkor obtained control on December 30, 2015. Pursuant to Rule 3-09, the financial statements as of and for the years ended December 31, 2015 and 2014 have been audited and the financial statements for the year ended December 31, 2013 are unaudited. Those unaudited financial statements include all adjustments of a normal recurring nature necessary to present fairly our results of operations, financial position and cash flows for the year presented.

In November 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-17, *Business Combinations (Topic 805): Pushdown Accounting*. ASU 2014-17 provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred or in a subsequent period. We elected not to apply pushdown accounting in our separate financial statements when Amkor increased their ownership interest in J-Devices and obtained control.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

Restatement of Previously Issued Consolidated Financial Statements

We have restated our consolidated financial statements as of December 31, 2015 and 2014, and for the years then ended and our unaudited consolidated financial statements for the year ended December 31, 2013, to correct our provision for income taxes and its related effect on our deferred taxes. See Note 3 for additional information.

Foreign Currency Translation

The Japanese yen is our functional currency and U.S. dollars is our reporting currency. Our asset and liability amounts are translated into U.S. dollars at end-of-period exchange rates. Income and expenses are translated into U.S. dollars at average exchange rates in effect during the period. The resulting translation adjustments are reported as a component of accumulated other comprehensive income in the stockholders' equity section of the balance sheet. Assets and liabilities denominated in a currency other than the functional currency are remeasured into the functional currency prior to translation into U.S. dollars, and the resulting transaction exchange gains or losses are included in other expense (income) in the period in which they occur.

Risks and Concentrations

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns. Our financial results are affected by a wide variety of factors, including general economic conditions worldwide, economic conditions specific to the semiconductor industry, the timely implementation of new package and test technologies, the ability to safeguard patents and intellectual property in a rapidly evolving market and reliance on materials and equipment suppliers. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. Our profitability and ability to generate cash from operations is principally dependent upon demand for semiconductors, the utilization of our capacity, semiconductor package mix, the average selling price of our services, our ability to manage our capital expenditures and our ability to control our costs including labor, material, overhead and financing costs.

A significant portion of our revenues is concentrated with a small number of customers. The loss of a significant customer, a reduction in orders or decrease in price from a significant customer or disruption in any of our significant strategic partnerships or other commercial arrangements could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows.

Financial instruments, for which we are subject to credit risk, consist principally of accounts receivable and cash and cash equivalents. With respect to accounts receivable, we mitigate our credit risk by selling primarily to well-established companies, performing ongoing credit evaluations and making frequent contact with customers. In addition, we may utilize non-recourse factoring to mitigate credit risk when considered appropriate. We have historically mitigated our credit risk with respect to cash through diversification of our holdings into various high quality bank deposit accounts.

Warranty

We generally warrant that our services will be performed in a professional and workmanlike manner and in compliance with our customers' specifications. We accrue costs for known warranty issues. Historically, our warranty costs have been immaterial.

Asset Retirement Obligations

We recognize a liability for the fair value of required asset retirement obligations ("ARO") when such obligations are incurred. Our AROs are primarily associated with leasehold improvements, which, at the end of a lease, we are contractually obligated to remove in order to comply with the lease agreement. At the inception of a lease with such conditions, we record a liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. We estimate the liability using a number of assumptions, including cost inflation rates and discount rates, and accrete it to its projected future value over time. The capitalized asset is depreciated using the same depreciation convention as leasehold improvement

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

assets. Upon satisfaction of the ARO conditions, any difference between the recorded liability and the actual retirement costs incurred is recognized as a gain or loss in the consolidated statements of income. Our net ARO liabilities included in other long-term liabilities as of December 31, 2015 and 2014, were \$2.4 million and \$2.3 million, respectively. Net ARO assets included in Property, Plant and Equipment were \$0.2 million at December 31, 2015 and zero at December 31, 2014.

Contingencies and Litigation

We may be subject to certain legal proceedings, lawsuits and other claims. We accrue for a loss contingency, including legal proceedings, lawsuits, pending claims and other legal matters, when we conclude that the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. When the reasonable estimate of the loss is within a range of amounts, and no amount in the range constitutes a better estimate than any other amount, we accrue for the amount at the low end of the range. We adjust our accruals from time to time as we receive additional information, but the loss we incur may be significantly greater than or less than the amount we have accrued. We disclose loss contingencies if there is at least a reasonable possibility that a loss has been incurred. Attorney fees related to legal matters are expensed as incurred.

Cash

Our cash consists of amounts invested in various bank operating accounts.

Inventories

Inventories are stated at the lower of cost or market (net realizable value). Cost is principally determined by a weighted moving average basis for raw materials and purchased components and on an average cost basis for work-in-process, both of which approximate actual cost. We reduce the carrying value of our inventories for the cost of inventory we estimate is excess and obsolete based on the age of our inventories. When a determination is made that the inventory will not be utilized in production or is not saleable, it is written-off.

Other Current Assets

Other current assets consist principally of deferred tax assets and prepaid expenses.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets which are as follows:

Buildings and improvements	2 to 50 years
Machinery and equipment	2 to 8 years
Software and computer equipment	2 to 6 years
Furniture, fixtures and other equipment	2 to 20 years

Cost and accumulated depreciation for property retired or disposed of are removed from the accounts, and any resulting gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to expense as incurred.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of a long-lived asset group to be held and used in operations is measured by a comparison of the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. If such asset group is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value. Long-lived assets to be disposed of are carried at the lower of cost or fair value less the costs of disposal.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

Other Assets

Other assets consist principally of deferred tax assets, deposits and prepaid insurance.

Other Non-current Liabilities

Other non-current liabilities consist primarily of liabilities associated with uncertain income tax positions, deferred tax liabilities, long-term portion of capital lease obligation, asset retirement obligations and deferred credit of government subsidy.

Fair Value Measurements

We apply fair value accounting for assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. See Note 14 for further discussion of fair value measurements.

Revenue Recognition

We recognize revenue from our packaging and test services, net of value-added or other similar taxes, when there is evidence of an arrangement, delivery has occurred or services have been rendered, fees are fixed or determinable and collectibility is reasonably assured. Generally these criteria are met and revenue is recognized upon customer acceptance.

We generally do not take ownership of customer-supplied semiconductor wafers. Title and risk of loss remains with the customer for these materials at all times. Accordingly, the cost of the customer-supplied materials is not included in our Consolidated Financial Statements.

Provisions are made for doubtful accounts when there is doubt as to the collectibility of accounts receivable. The allowance for doubtful accounts is recorded as bad debt expense and is classified as selling, general and administrative expense. The allowance for doubtful accounts is based upon specific identification of doubtful accounts considering the age of the receivable balance, the customer's historical payment history and current credit worthiness as well as specific identification of any known or expected collectibility issues. Historically, our allowance for doubtful accounts has been immaterial.

Shipping and Handling Fees and Costs

Amounts billed to customers for shipping and handling are presented in net sales. Costs incurred for shipping and handling are included in cost of sales.

Research and Development Costs

Research and development expenses include costs attributable to the conduct of research and development programs primarily related to the development of new package designs and improving the efficiency and capabilities of our existing production processes. Such costs include salaries, payroll taxes, employee benefit costs, materials, supplies, depreciation and maintenance of research equipment, services provided by outside contractors and the allocable portions of facility costs such as rent, utilities, insurance, repairs and maintenance, depreciation and general support services. All costs associated with research and development are expensed as incurred.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as for net operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related tax benefits will not be realized.

In determining the amount of the valuation allowance, we consider all available evidence of realization, as well as feasible tax planning strategies. If all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if we conclude that we will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. We believe that it is more likely than not that the tax benefits related to the deferred tax assets will be realized and do not have a valuation allowance. We monitor on an ongoing basis our ability to utilize our deferred tax assets and the need for a related valuation allowance.

We recognize in our Consolidated Financial Statements the impact of an income tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Related interest and penalties are classified as income taxes in the financial statements. See Note 6 for more information regarding unrecognized income tax benefits.

2. New Accounting Standards

Recently Adopted Standards

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 840), Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for reporting periods beginning after December 15, 2016 and can be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. Early adoption is permitted. ASU 2015-17 was adopted on December 31, 2015. The guidance was applied prospectively and our deferred tax assets and liabilities were presented as noncurrent in our consolidated balance sheet as of December 31, 2015.

Recently Issued Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and changes in judgments. ASU 2014-09 permits the use of either full retrospective or modified retrospective methods of adoption. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date by one year to December 15, 2018, for annual reporting periods beginning after that date. Early adoption is permitted, but not before the original effective date of December 15, 2017. We are currently evaluating the method of adoption and the impact that this guidance will have on our financial statements and disclosure.

In July 2015, the FASB issued ASU 2015-11, *Inventory - Simplifying the Measurement of Inventory (Topic 330)*. ASU 2015-11 requires inventory to be subsequently measured using the lower of cost and net realizable value, thereby eliminating the market value approach. Net realizable value is defined as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016 and is applied prospectively. Early adoption is permitted. We are currently evaluating the impact that this guidance will have on our financial statements and disclosure.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

3. Restatement of Consolidated Financial Statements

We have restated our consolidated financial statements as of December 31, 2015 and 2014, and for the years then ended and our unaudited consolidated financial statements for the year ended December 31, 2013, to correct errors in our provision for income taxes and its related effect on our deferred taxes. As a result of the restatement, the related disclosures included in the Notes to Consolidated Financial Statements have been revised.

The correction resulted in an additional tax liability of \$11.6 million, \$6.1 million and \$0.7 million (unaudited) as of December 31, 2015, 2014 and 2013, respectively, and an additional tax expense of \$9.1 million, \$1.1 million, and \$0.8 million (unaudited) for the years ended December 31, 2015, 2014, and 2013, respectively. The tax liability was recognized in other non-current liabilities. Further, there were impacts to current deferred tax assets, non-current deferred tax assets and non-current deferred tax liabilities.

We evaluated the cumulative impact of these items on prior periods and concluded the correction was, in the aggregate, material to the prior reporting periods, and therefore, restatement of previously filed financial statements was necessary to our previously issued 2015, 2014 and 2013 financial statements. The adjustments related to 2012 are reflected as a decrease in the beginning retained earnings of \$1.2 million (unaudited) for 2013. The account balances labeled "As Reported" in the following tables for the years ended December 31, 2015, 2014 and 2013 represent the previously reported balances in our previously issued 2015, 2014 and 2013 financial statements.

The following table sets forth the impact of the restatement adjustments of the provision for income taxes and its related effect on deferred taxes on our previously issued consolidated statements of income for each of the three years ended December 31, 2015.

	For the Year Ended December 31,								
	2015			2014			2013 (unaudited)		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
	(In thousands)								
Net sales	\$ 812,938	\$ —	\$ 812,938	\$ 923,020	\$ —	\$ 923,020	\$ 825,135	\$ —	\$ 825,135
Cost of sales	708,212		708,212	799,778		799,778	741,357		741,357
Gross profit	104,726	—	104,726	123,242	—	123,242	83,778	—	83,778
Selling, general and administrative	44,757		44,757	50,605		50,605	51,306		51,306
Research and development	16,522		16,522	15,914		15,914	11,633		11,633
Total operating expenses	61,279	—	61,279	66,519	—	66,519	62,939	—	62,939
Operating income	43,447		43,447	56,723		56,723	20,839		20,839
Interest expense	1,243		1,243	2,549		2,549	3,481		3,481
Other income, net	(286)		(286)	(14,464)		(14,464)	(3,339)		(3,339)
Total other expense (income), net	957	—	957	(11,915)	—	(11,915)	142	—	142
Income before taxes	42,490	—	42,490	68,638	—	68,638	20,697	—	20,697
Income tax expense	12,778	9,058	21,836	18,889	1,078	19,967	4,034	825	4,859
Net income	\$ 29,712	\$ (9,058)	\$ 20,654	\$ 49,749	\$ (1,078)	\$ 48,671	\$ 16,663	\$ (825)	\$ 15,838

In addition to the impact on net income shown in the table above, the adjustments to other comprehensive income were less than \$0.5 million for each of the years ended December 31, 2015, 2014 and 2013. The net impact on comprehensive income is a decrease of \$9.1 million, \$0.6 million and \$0.8 million (unaudited) for the years ended December 31, 2015, 2014 and 2013, respectively.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

The following table sets forth the impact of the restatement adjustments of the provision for income taxes and its related effect on deferred taxes on our previously issued consolidated balance sheets as December 31, 2015 and 2014.

	December 31,					
	2015			2014		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
	(In thousands, except share data)					
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 127,968	\$ —	\$ 127,968	\$ 115,841	\$ —	\$ 115,841
Accounts receivable	180,177		180,177	214,164		214,164
Inventories	40,611		40,611	33,053		33,053
Other current assets	2,363		2,363	18,340	4,127	22,467
Total current assets	351,119	—	351,119	381,398	4,127	385,525
Property, plant and equipment, net	201,323		201,323	197,393		197,393
Other assets	13,202		13,202	6,746	787	7,533
Total assets	\$ 565,644	\$ —	\$ 565,644	\$ 585,537	\$ 4,914	\$ 590,451
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Short-term borrowings and current portion of long-term debt	\$ 36,770	\$ —	\$ 36,770	\$ 35,652	\$ —	\$ 35,652
Trade accounts payable	173,744		173,744	165,619		165,619
Capital expenditures payable	29,471		29,471	28,837		28,837
Accrued expenses	48,189		48,189	71,515		71,515
Total current liabilities	288,174	—	288,174	301,623	—	301,623
Long-term debt	18,885		18,885	44,940		44,940
Pension obligations	22,250		22,250	29,673		29,673
Other non-current liabilities	7,229	11,564	18,793	10,315	7,393	17,708
Total liabilities	336,538	11,564	348,102	386,551	7,393	393,944
Commitments and contingencies (Note 1)						
Stockholders' Equity:						
Common stock, no par value, 160,000 shares authorized, 64,445 shares issued and outstanding in 2015 and 2014	53,703		53,703	53,703		53,703
Additional paid-in capital	34,197		34,197	34,197		34,197
Retained earnings	197,727	(12,200)	185,527	168,015	(3,142)	164,873
Accumulated other comprehensive loss	(56,521)	636	(55,885)	(56,929)	663	(56,266)
Total stockholders' equity	229,106	(11,564)	217,542	198,986	(2,479)	196,507
Total liabilities and stockholders' equity	\$ 565,644	\$ —	\$ 565,644	\$ 585,537	\$ 4,914	\$ 590,451

The following table sets forth the impact of the restatement adjustments of the provision for income taxes and its related effect on deferred taxes on cash flows from operating activities in our previously issued consolidated statements of cash flows for each of the three years ended December 31, 2015. The restatement adjustments had no impact on net cash used in investing and financing activities and had no net impact on our consolidated statements of cash flows.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

For the Year Ended December 31,

	2015			2014			2013 (unaudited)		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
(In thousands)									
Cash flows from operating activities:									
Net income	\$ 29,712	\$ (9,058)	\$ 20,654	\$ 49,749	\$ (1,078)	\$ 48,671	\$ 16,663	\$ (825)	\$ 15,838
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	70,609		70,609	77,238		77,238	66,062		66,062
Amortization of deferred debt issuance costs and premiums	63		63	452		452	761		761
Deferred income taxes	5,391	3,619	9,010	112	(5,330)	(5,218)	(4,723)	119	(4,604)
Gain from acquisition of business	(255)		(255)	(14,739)		(14,739)	(2,724)		(2,724)
Loss on debt retirement	311		311	—		—	—		—
(Gain) loss on disposal of fixed assets, net	345		345	2,861		2,861	507		507
Other, net	135		135	622		622	1,743		1,743
Changes in assets and liabilities:									
Accounts receivable	34,142		34,142	(19,627)		(19,627)	(99,612)		(99,612)
Inventories	(7,493)		(7,493)	3,495		3,495	32,059		32,059
Other current assets	759		759	149		149	7,115		7,115
Other assets	(2,465)		(2,465)	(73)		(73)	(1,394)		(1,394)
Trade accounts payable	7,894		7,894	4,943		4,943	112,219		112,219
Accrued expenses	(17,040)		(17,040)	16,995		16,995	22,022		22,022
Pension obligations	(7,210)		(7,210)	7,501		7,501	5,715		5,715
Other non-current liabilities	564	5,439	6,003	(244)	6,408	6,164	(3,315)	706	(2,609)
Net cash provided by operating activities	\$ 115,462	\$ —	\$ 115,462	\$ 129,434	\$ —	\$ 129,434	\$ 153,098	\$ —	\$ 153,098

4. Business Acquisitions

We completed the acquisition of part of the manufacturing business of Renesas Semiconductor Singapore Pte. Ltd. from Renesas and purchased certain machinery and equipment for ¥96.7 million (\$0.8 million) in August 2015, and ¥103.3 million (\$0.8 million) in November 2015, respectively. As part of the transaction, Renesas entered into a five-year manufacturing services agreement with us to outsource certain business previously manufactured at Renesas Semiconductor Singapore Pte. Ltd. The manufacturing services agreement provides a take or pay arrangement with annual settlement for the first two years, and extends the two-year take or pay arrangement associated with the acquisition from Renesas in 2013 for another two years. The transaction was accounted for as a business combination, resulting in a bargain purchase gain of \$0.3 million, as the fair value of the net assets acquired exceeded the purchase price.

In June 2014, we completed the purchase of 100% of the shares of AIC, Amkor's previously wholly-owned subsidiary engaged in semiconductor packaging and test operations in Japan, for ¥1.1 billion. We paid ¥0.1 billion (\$1.0 million) in cash at closing and paid the remaining ¥1.0 billion (\$8.4 million) on June 30, 2015. Under the purchase method of accounting, we allocated the purchase price to the assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition and recognized a gain of \$14.7 million (Note 5) in 2014 as the fair value of the net assets acquired exceeded the purchase price. As part of the acquisition, we entered into an agreement by which Amkor shall continue to bill customers on behalf of AIC during the transition period. We received \$10.7 million and \$5.4 million in 2015 and 2014, respectively, under the arrangement. AIC was merged into J-Devices as of December 31, 2014.

In June 2013, we completed the purchase of a legal entity consisting of three back-end factories that were engaged in the semiconductor packaging and test operations in Japan from Renesas, and subsequently changed the name of the entity to J-Devices Semiconductor Corporation ("J-Semi"). J-Semi was merged into J-Devices as of April 1, 2015. The purpose of the acquisition is to improve our competitiveness in the market through establishing a mutually beneficial relationship with Renesas, one of Japan's largest electronics companies and one of the world's largest semiconductor companies. The total price paid for the shares was ¥12.6 billion. We paid ¥4.8 billion (\$47.5 million) in cash at closing, assumed a loan of ¥7.0

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

billion (\$61.4 million) from Renesas and paid an additional ¥0.8 billion (\$7.5 million) in cash as a price adjustment in August 2013. The amortizing loan from Renesas was paid off in April 2015.

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed based on their fair values on the date of acquisition:

	(In thousands)
Inventories	\$ 40,406
Property, plant and equipment, net	94,593
Other Assets	1,747
Total assets acquired	136,746
Current liabilities	(3,758)
Non-current liabilities	(6,195)
Total liabilities assumed	(9,953)
Net assets acquired	\$ 126,793

As the fair value of the net assets acquired exceeded the purchase price, we recognized a gain of \$2.7 million in 2013 (Note 5). The gain is primarily due to the fact that Renesas was undertaking a restructuring of their business and motivated to outsource their packaging and test service to a specialized company like J-Devices to achieve better efficiency. As part of the acquisition, we entered into a five-year manufacturing services agreement with Renesas to provide semiconductor packaging and test services. Under the agreement, there was a take or pay arrangement subject to annual settlement for the first two years.

5. Other Income and Expense

Other income and expense consists of the following:

	For the Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Foreign currency loss (gain)	\$ 281	\$ 357	\$ (415)
Gain from acquisition of business	(255)	(14,739)	(2,724)
Other income, net	(312)	(82)	(200)
Total other income, net	\$ (286)	\$ (14,464)	\$ (3,339)

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

6. Income Taxes

The components of the provision (benefit) for income taxes are as follows:

	For the Year Ended December 31,		
	2015 (As restated)	2014 (As restated)	2013 (As restated) (unaudited)
	(In thousands)		
Current	\$ 12,826	\$ 25,185	\$ 9,463
Deferred	9,010	(5,218)	(4,604)
Total provision	\$ 21,836	\$ 19,967	\$ 4,859

The reconciliation between the Japan statutory income tax rate of approximately 35% (2015), 36% (2014) and 38% (2013) and our income tax provision is as follows:

	For the Year Ended December 31,		
	2015 (As restated)	2014 (As restated)	2013 (As restated) (unaudited)
	(In thousands)		
Japan statutory tax at 35% (2015), 36% (2014) and 38% (2013)	\$ 15,033	\$ 24,710	\$ 7,815
Income tax credits generated	(3,093)	(525)	(3,411)
Other taxes	9,058	1,078	825
Bargain purchase gain	(90)	(5,215)	(550)
Change in tax rate	701	(27)	32
Other	227	(54)	148
Total	\$ 21,836	\$ 19,967	\$ 4,859

On November 30, 2011, the Japanese legislature enacted a corporate tax rate reduction effective for the fiscal year starting on April 1, 2012 partially offset by a temporary earthquake damage restoration surtax, which expired for fiscal year starting April 1, 2014.

On March 31, 2015, the Japanese legislature enacted a corporate tax rate reduction which included additional tax rate reductions effective the fiscal year starting on April 1, 2015. The impact of the legislation reduces the tax rate to approximately 32% prospectively.

Research and development credits are available for a base level of qualified research and development expenditures and additional credits are available for incremental research and development expenditures over prior year levels subject to certain tax liability limitations.

The Japanese government provides special tax credit relief to support earthquake disaster district reconstruction. We were certified as a designated business operator by Murata-Cho in Miyagi prefecture in March 2013 and are allowed to claim tax credits for 10% of the salaries of affected employees limited to 20% of the national corporate income tax liability within five years from March 2013.

Income tax credits generated in 2015, 2014 and 2013 have been recognized in our income tax provision.

The gains from our recent business acquisitions (Note 4) are not taxable for Japanese tax purposes.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

The following is a summary of the components of our deferred tax assets and liabilities:

	December 31,	
	2015	2014
	(As Restated)	
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	\$ —	\$ 6,426
Accounts receivable	31	36
Income tax credits	—	417
Accrued liabilities	14,973	27,310
Other long term liabilities	605	—
Property, plant and equipment	—	1,334
Other	780	267
Total deferred tax assets	16,389	35,790
Deferred tax liabilities:		
Property, plant and equipment	6,403	13,921
Deferred gain	2,281	4,594
Other	225	454
Total deferred tax liabilities	8,909	18,969
Net deferred tax assets	\$ 7,480	\$ 16,821
Recognized as:		
Other current assets	\$ —	\$ 19,346
Other assets	7,480	3,686
Other non-current liabilities	—	(6,211)
Total	\$ 7,480	\$ 16,821

At December 31, 2015, all net operating loss carryforwards ("NOL's") have been utilized.

Our income tax returns are subject to examination by tax authorities. The tax years ended March 31, 2013 and 2012 have recently been examined without material adjustment. Our tax returns for the open years ended March 31, 2014 and after are subject to changes upon examination. Tax return examinations involve uncertainties and there can be no assurance that the outcome of examinations will be favorable.

7. Factoring of Accounts Receivable

We utilize non-recourse factoring arrangements with third party financial institutions to manage our working capital and cash flows. Under this program, we sell receivables to a financial institution for cash at a discount to the face amount. As part of the factoring arrangements, we perform certain collection and administrative functions for the receivables sold. For the year ended December 31, 2015 and 2014, we sold accounts receivable totaling \$245.3 million and \$115.1 million, respectively, for a discount, plus fees, of \$0.18 million and \$0.08 million, respectively.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

8. Inventories

Inventories consist of the following:

	December 31,	
	2015	2014
(In thousands)		
Raw materials and purchased components	\$ 20,950	\$ 19,038
Work-in-process	19,661	14,015
Total inventories	<u>\$ 40,611</u>	<u>\$ 33,053</u>

9. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31,	
	2015	2014
(In thousands)		
Land	\$ 23,789	\$ 23,760
Buildings and improvements	55,060	49,579
Machinery and equipment	399,140	342,644
Software and computer equipment	20,393	16,306
Furniture, fixtures and other equipment	46,087	39,769
Machinery and equipment under capital lease	7,858	6,264
Construction in progress	6,427	10,340
Total property, plant and equipment	558,754	488,662
Less accumulated depreciation and amortization	(357,431)	(291,269)
Total property, plant and equipment, net	<u>\$ 201,323</u>	<u>\$ 197,393</u>

Depreciation expense was \$70.6 million, \$77.2 million, and \$66.1 million for 2015, 2014 and 2013, respectively.

10. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2015	2014
(In thousands)		
Payroll and benefits	\$ 35,362	\$ 36,918
Income taxes payable	1,258	11,322
Acquisition payable (Note 4)	—	8,485
Other accrued expenses	11,569	14,790
Total accrued expenses	<u>\$ 48,189</u>	<u>\$ 71,515</u>

J-DEVICES CORPORATION
Notes to Consolidated Financial Statements — (Continued)

11. Debt

Following is a summary of short-term borrowings and long-term debt:

	December 31,	
	2015	2014
	(In thousands)	
Short-term credit facilities:		
Variable rate due February and June 2016 (1)	\$ 15,582	\$ 7,848
Fixed rate at 0.50% due June 2016 (1)	5,808	4,144
Term loans:		
Long-term prime lending rate linked to short-term prime lending rate less 1.275%, due 2015 (2)	—	690
TIBOR plus 1.0%, due June 2016 (2)	415	1,025
TIBOR plus 1.0%, due November 2016 (2)	2,385	6,112
TIBOR plus 1.2%, due 2017 (3)	—	17,265
Fixed rate at 2.1%, due 2018 (4)	—	43,508
Fixed rate at 0.53%, due April 2018 (5)	31,465	—
	<u>55,655</u>	<u>80,592</u>
Less: Short-term borrowings and current portion of long-term debt	(36,770)	(35,652)
Long-term debt	<u>\$ 18,885</u>	<u>\$ 44,940</u>

- (1) We have ¥2.9 billion (\$24.3 million) of short-term credit facilities which mature annually and semi-annually. The facilities have been renewed at each maturity. Principal is payable in monthly installments.
- (2) In 2011, we entered into ¥7.0 billion (\$58.1 million) of term loan agreements which are collateralized by the land, building and certain machineries and equipment located at our facilities in Japan, namely Kitsuki, Usuki, Taketa, Kumamoto, Fukui and Hakodate. Principal is payable in monthly installments.
- (3) In 2012, we entered into a ¥4.3 billion (\$35.7 million) syndicated term loan agreement which is collateralized by the land, factories and equipment located at our facilities and a certain portion of accounts receivable. Principal is payable in quarterly installments. The outstanding balance was repaid in full in March 2015.
- (4) In 2013, we entered into a ¥7.0 billion (\$61.4 million) term loan agreement with Renesas in accordance with the Stock Transfer Agreement which is collateralized by substantially all the land, factories and equipment located at our facilities at J-Semi. Principal is payable in quarterly installments. The outstanding balance was repaid in full in April 2015.
- (5) In 2015, we entered into ¥4.6 billion (\$37.8 million) of term loan agreements. The proceeds were used to repay the term loan with Renesas.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

Interest Rates

Interest is payable monthly on the variable rate debt and monthly or quarterly on the fixed rate debt. Refer to the following table for the interest rates on our debt.

	Interest Rates at December 31,	
	2015	2014
Short-term credit facilities:		
Variable rate	0.46%	0.53%
Fixed rate	0.50%	0.53%
Term loan:		
Long-term prime lending rate linked to short-term prime lending rate less 1.275%, due 2015	—%	1.20%
TIBOR plus 1.0%, due June 2016	1.13%	1.13%
TIBOR plus 1.0%, due November 2016	1.13%	1.13%
TIBOR plus 1.2%, due 2017	—%	1.33%
Fixed rate at 2.1%, due 2018	—%	2.10%
Fixed rate at 0.53%, due April 2018	0.53%	—%

Compliance with Debt Covenants

Our loan agreements contain a number of affirmative and negative covenants which could restrict our operations. The loan agreement governing our syndicated term loan contains financial covenants that requires us to maintain certain levels of net assets and debt service coverage and net leverage ratios. We were in compliance with all our covenants as of December 31, 2015 and 2014.

Assets pledged as collateral

As of December 31, 2015, the carrying value of the assets pledged as collateral for our term loans amounted to \$54.5 million. As of December 31, 2014, the carrying value of the assets pledged as collateral for our syndicated term loan and term loans amounted to \$119.2 million.

Maturities

	Total Debt
	(In thousands)
Payments due for the year ending December 31,	
2016	\$ 36,770
2017	12,579
2018	6,306
2019	—
2020	—
Thereafter	—
Total debt	<u>\$ 55,655</u>

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

12. Pension Plans

We sponsor defined benefit plans (the “Plans”) that cover all regular employees with at least one year of service. Charges to expense are based upon actuarial analyses.

The following table summarizes the Plans’ benefit obligations, fair value of the Plans’ assets and the funded status of the Plans at December 31, 2015 and 2014.

	For the Year Ended December 31,	
	2015	2014
	(In thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 37,607	\$ 17,189
Service cost	9,406	9,032
Interest cost	264	340
Benefits paid	(937)	(652)
Actuarial losses (gains)	(212)	2,312
Acquisition (Note 4)	—	14,676
Effects of curtailment	1,253	—
Settlement	(15,544)	—
Foreign exchange gain	22	(5,290)
Projected benefit obligation at end of year	31,859	37,607
Change in plan assets:		
Fair value of plan assets at beginning of year	11,211	9,405
Actual gain on plan assets	202	978
Employer contributions	18,973	3,100
Settlement	(15,544)	—
Benefits paid	(937)	(653)
Foreign exchange loss	30	(1,619)
Fair value of plan assets at end of year	13,935	11,211
Funded status of the Plans at end of year	\$ (17,924)	\$ (26,396)

The accrued benefit liability, included in pension obligations in the Consolidated Balance Sheets, as of December 31, 2015 and 2014 was \$17.9 million and \$26.4 million, respectively. The accumulated benefit obligation as of December 31, 2015 and 2014 was \$30.1 million and \$35.5 million, respectively. On April 1, 2015, the former AIC employees were paid out from the AIC pension plan, resulting in a settlement of \$15.5 million. The AIC pension plan was then merged to the J-Devices plan.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

The following table summarizes, by component, the change in accumulated other comprehensive income related to our Plans:

	Prior Service Cost	Actuarial Net (Loss) Gain	Total
		(As Restated)	(As Restated)
		(In thousands)	
Balance at December 31, 2013, net of tax (unaudited)	\$ (352)	\$ 1,319	\$ 967
Amortization included in net periodic pension cost	25	—	25
Net gain arising during period	—	(851)	(851)
Adjustments to unrealized components of defined benefit pension plan included in other comprehensive income	25	(851)	(826)
Balance at December 31, 2014, net of tax	<u>\$ (327)</u>	<u>\$ 468</u>	<u>\$ 141</u>
Amortization included in net periodic pension cost	(7)	—	(7)
Net gain arising during period	—	530	530
Adjustments to unrealized components of defined benefit pension plan included in other comprehensive income	(7)	530	523
Balance at December 31, 2015, net of tax	<u>\$ (334)</u>	<u>\$ 998</u>	<u>\$ 664</u>

Estimated amortization to be included in 2016 net periodic pension cost	\$ (48)	\$ —	\$ (48)
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Information for pension plans with benefit obligations in excess of plan assets are as follows:

	December 31,	
	2015	2014
	(In thousands)	
Plans with underfunded or non-funded projected benefit obligation:		
Aggregate projected benefit obligation	\$ 31,859	\$ 37,607
Aggregate fair value of plan assets	13,935	11,211
Plans with underfunded or non-funded accumulated benefit obligation:		
Aggregate accumulated benefit obligation	30,107	35,455
Aggregate fair value of plan assets	13,935	11,211

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Notes to Consolidated Financial Statements — (Continued)

The following table summarizes net periodic pension costs:

	For the Year Ended December 31,		
	2015	2014	2013 (unaudited)
	(In thousands)		
Components of net periodic pension cost and total pension expense:			
Service cost	\$ 9,406	\$ 9,032	\$ 7,765
Interest cost	264	340	151
Expected return on plan assets	(188)	(106)	(151)
Amortization of prior service cost	(48)	(39)	(43)
Recognized actuarial loss	—	—	53
Net periodic pension cost	9,434	9,227	7,775
Curtailment (gain) loss	1,253	—	—
Settlement (gain) loss	506	—	—
Total pension expense	<u>\$ 11,193</u>	<u>\$ 9,227</u>	<u>\$ 7,775</u>

The following table summarizes the weighted-average assumptions used in computing the net periodic pension cost and projected benefit obligations at December 31, 2015, 2014 and 2013:

	For the Year Ended December 31,		
	2015	2014	2013 (unaudited)
Discount rate for determining net periodic pension cost	1.0%	1.5%	1.5%
Discount rate for determining benefit obligations at year end	1.0%	1.0%	1.5%
Rate of compensation increase for determining benefit obligations at year end	2.0%	0.6%	—%
Expected rate of return on plan assets for determining net periodic pension cost	1.5%	1.5%	1.0%

The measurement date for determining the Plans' assets and benefit obligations is December 31, each year. Discount rates are generally derived from yield curves constructed from high-quality corporate or foreign government bonds, for which the timing and amount of cash outflows approximate the estimated payouts.

The expected rate of return assumption is based on weighted-average expected returns for each asset class. Expected returns reflect a combination of historical performance analysis and the forward-looking views of the financial markets and include input from our actuaries. Our investment strategy for our defined benefit plan is based on long-term, sustained asset growth through low to medium risk investments. The current rate of return assumption targets are based on an asset allocation strategy for our plan assets of 55% debt securities, 43% equity securities and 2% other.

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Notes to Consolidated Financial Statements — (Continued)

The fair value of our pension plan assets, by asset category utilizing the fair value hierarchy as discussed in Note 14, is as follows:

	December 31,	
	2015	2014
	(In thousands)	
Cash and cash equivalents (Level 1)	\$ 631	\$ 690
Equity securities		
Domestic securities (Level 1)	2,691	2,188
Foreign securities (Level 1)	2,519	2,231
	5,210	4,419
Bonds		
Domestic government and corporate bonds (Level 2)	6,918	5,014
Foreign government and corporate bonds (Level 2)	1,173	1,001
	8,091	6,015
Other (Level 3)	3	87
Total	\$ 13,935	\$ 11,211

We contributed \$2.8 million and \$3.1 million to the Plans during 2015 and 2014, respectively, and we expect to contribute \$3.0 million during 2016. We closely monitor the funded status of the Plans with respect to legislative requirements. We intend to make at least the minimum contribution required by law each year.

The estimated future benefit payments related to our defined benefit plans are as follows:

	Payments
	(In thousands)
2016	\$ 886
2017	1,228
2018	1,778
2019	2,317
2020	2,965
2021 to 2025	25,187

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Notes to Consolidated Financial Statements — (Continued)

13. Accumulated Other Comprehensive Income (Loss)

The following table reflects the changes in accumulated other comprehensive income (loss), net of tax:

	Defined Benefit Pension	Foreign Currency Translation	Total
	(As Restated)	(As Restated)	(As Restated)
	(In thousands)		
Accumulated other comprehensive income (loss) at December 31, 2013 (unaudited)	\$ 967	\$ (26,238)	\$ (25,271)
Other comprehensive loss before reclassifications	(851)	(30,169)	(31,020)
Amounts reclassified from accumulated other comprehensive income (loss)	25	—	25
Other comprehensive loss	(826)	(30,169)	(30,995)
Accumulated other comprehensive income (loss) at December 31, 2014	\$ 141	\$ (56,407)	\$ (56,266)
Other comprehensive income (loss) before reclassifications	530	(142)	388
Amounts reclassified from accumulated other comprehensive income (loss)	(7)	—	(7)
Other comprehensive income (loss)	523	(142)	381
Accumulated other comprehensive income (loss) at December 31, 2015	\$ 664	\$ (56,549)	\$ (55,885)

Amounts reclassified out of accumulated other comprehensive (loss) income are included as a component of net periodic pension cost (Note 12).

14. Fair Value Measurements

The accounting framework for determining fair value includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers as follows: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities and Level 3, defined as unobservable inputs that are not corroborated by market data.

The fair values of cash, accounts receivable, trade accounts payable, capital expenditures payable and the majority of other current assets and accrued expenses approximate carrying values because of their short-term nature. The carrying values of capital lease obligations and other assets approximates fair values. We also measure certain assets and liabilities, including property, plant and equipment, at fair value on a nonrecurring basis.

J-DEVICES CORPORATION

Notes to Consolidated Financial Statements — (Continued)

We measure the fair value of our debt for disclosure purposes. The following table presents the fair value of our debt:

	December 31, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In thousands)			
Short-term credit facilities	\$ 21,391	\$ 21,390	\$ 11,994	\$ 11,992
Term loans	34,194	34,265	69,485	68,600
Total debt	<u>\$ 55,585</u>	<u>\$ 55,655</u>	<u>\$ 81,479</u>	<u>\$ 80,592</u>

The estimated fair value of our short-term credit facilities and term loans was based on valuation using an income approach which discounts the future interest and principal payments at the estimated fair market yield.

15. Leases

Future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year are:

	Lease Payments
	(In thousands)
2016	\$ 8,989
2017	5,503
2018	2,115
2019	1,386
2020	790
Thereafter	277
Total	<u>\$ 19,060</u>

Rent expense amounted to \$18.6 million, \$19.0 million and \$24.2 million for 2015, 2014 and 2013, respectively.

The following is a summary of future minimum lease payments under capital leases together with the present value of the minimum lease payments at December 31, 2015:

	(In thousands)
2016	\$ 1,736
2017	1,858
2018	476
2019	316
2020	139
Thereafter	63
Total minimum lease payments	4,588
Less: amount of interest contained in above payments	(131)
Capital lease obligation	<u>\$ 4,457</u>

In conjunction with the joint venture agreement, we leased packaging and test equipment from Amkor, which was accounted for as a direct financing lease. During 2012, we made lease payments of \$15.4 million, which included imputed interest. At the end of the lease in October 2012, we purchased the remaining equipment for \$8.8 million, which was paid in January 2013.

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Notes to Consolidated Financial Statements — (Continued)

16. Related Party Transactions

Mr. Yoshifumi Nakaya, Representative Director and previously a major shareholder, provided a guarantee, free of charge, for certain debt we borrowed from banks. The outstanding balance of those debts as of December 31, 2014 was \$36.0 million, all of which were repaid in 2015.

