

**Nuvoton Technology Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Nuvoton Technology Corporation as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nuvoton Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

NUVOTON TECHNOLOGY CORPORATION

By

YUAN-MOU SU
Chairman

February 14, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is this matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Occurrence of Sales Revenues

Revenue from the sale of goods is recognized when the customer received the goods and bear the risk. We performed an analytical procedure on the sales revenue in 2022, and some kind of products have relatively high gross margins and certain percentage of annual sales, which has a material impact of the financial report. Therefore, we choose the occurrence of those products sales revenue as a key audit matter for the year ended December 31, 2022. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the occurrence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

Other Matter

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kenny Hong and Shu-Lin Liu.

The image shows two handwritten signatures in black ink. The first signature is more stylized and cursive, while the second is written in a more legible, slightly cursive script.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 14, 2023

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 10,398,185	28	\$ 9,699,031	28
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,894	-	1,631	-
Accounts receivable, net (Notes 4 and 8)	3,610,131	10	3,514,424	10
Accounts receivable from related parties, net (Notes 4, 8 and 32)	768,711	2	656,738	2
Financial lease receivable - current (Notes 4, 9 and 32)	96,731	-	-	-
Other receivables (Notes 10 and 32)	327,265	1	930,548	3
Inventories (Notes 4 and 11)	8,458,827	23	6,859,466	20
Other current assets	452,383	1	338,614	1
Total current assets	<u>24,115,127</u>	<u>65</u>	<u>22,000,452</u>	<u>64</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	121,775	-	69,200	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	1,234,748	3	2,676,174	8
Investments accounted for using equity method (Notes 4 and 13)	1,710,869	5	-	-
Property, plant and equipment (Notes 4, 14, 32 and 33)	5,764,085	16	5,248,513	15
Right-of-use assets (Notes 4, 15 and 32)	623,867	2	1,197,613	4
Investment properties (Notes 4, 16 and 33)	1,798,160	5	2,005,598	6
Intangible assets (Notes 4 and 17)	722,757	2	983,329	3
Deferred tax assets (Notes 4 and 26)	198,727	1	89,019	-
Refundable deposits (Notes 6, 32 and 33)	337,862	1	134,187	-
Finance lease receivables - non-current (Notes 4, 9 and 32)	123,451	-	-	-
Other non-current assets	100,312	-	4,305	-
Total non-current assets	<u>12,736,613</u>	<u>35</u>	<u>12,407,938</u>	<u>36</u>
TOTAL	<u>\$ 36,851,740</u>	<u>100</u>	<u>\$ 34,408,390</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 33)	\$ 1,069,040	3	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	7,412	-	-	-
Notes payable	-	-	38,753	-
Accounts payable	2,401,020	7	2,634,376	8
Accounts payable to related parties (Note 32)	747,717	2	466,673	1
Other payables (Notes 20 and 32)	4,464,260	12	4,795,770	14
Current tax liabilities (Notes 4 and 26)	712,005	2	402,369	1
Provisions - current (Note 21)	132,473	-	532,948	2
Lease liabilities - current (Notes 4, 15 and 32)	169,896	1	247,308	1
Long-term borrowings, current portion (Notes 18 and 33)	71,429	-	-	-
Other current liabilities	1,192,434	3	700,791	2
Total current liabilities	<u>10,967,686</u>	<u>30</u>	<u>9,818,988</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 33)	1,428,571	4	1,500,000	4
Provisions - non-current (Note 21)	2,491,287	7	2,729,353	8
Deferred tax liabilities (Notes 4 and 26)	13,209	-	36,583	-
Lease liabilities - non-current (Notes 4, 15 and 32)	491,363	1	1,118,284	3
Net defined benefit liabilities - non-current (Notes 4 and 22)	1,492,573	4	1,641,861	5
Guarantee deposits (Notes 4, 23 and 32)	2,351,028	6	1,962,242	6
Other non-current liabilities	50,085	-	46,389	-
Total non-current liabilities	<u>8,318,116</u>	<u>22</u>	<u>9,034,712</u>	<u>26</u>
Total liabilities	<u>19,285,802</u>	<u>52</u>	<u>18,853,700</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Note 24)	4,197,653	11	4,172,101	12
Certificates of bond-to-stock conversion (Note 24)	-	-	25,552	-
Capital surplus (Note 24)	6,871,827	19	6,871,811	20
Retained earnings (Note 24)				
Legal reserve	958,560	3	655,515	2
Unappropriated earnings	6,248,877	17	3,763,192	11
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 24)	(1,005,611)	(3)	(1,044,941)	(3)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 24)	294,632	1	1,111,460	3
Total equity	<u>17,565,938</u>	<u>48</u>	<u>15,554,690</u>	<u>45</u>
TOTAL	<u>\$ 36,851,740</u>	<u>100</u>	<u>\$ 34,408,390</u>	<u>100</u>

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 32)	\$ 41,872,426	100	\$ 41,455,957	100
OPERATING COST (Notes 11, 27 and 32)	<u>24,378,097</u>	<u>58</u>	<u>24,599,840</u>	<u>59</u>
GROSS PROFIT	<u>17,494,329</u>	<u>42</u>	<u>16,856,117</u>	<u>41</u>
OPERATING EXPENSES (Notes 27 and 32)				
Selling expenses	1,162,124	3	1,185,131	3
General and administrative expenses	2,749,443	6	2,884,137	7
Research and development expenses	9,104,501	22	9,451,500	23
Expected credit loss	<u>352</u>	<u>-</u>	<u>8,206</u>	<u>-</u>
Total operating expenses	<u>13,016,420</u>	<u>31</u>	<u>13,528,974</u>	<u>33</u>
PROFIT FROM OPERATIONS	<u>4,477,909</u>	<u>11</u>	<u>3,327,143</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 32)				
Finance costs	(35,230)	-	(68,915)	-
Share of profit (loss) of associates	126,861	-	-	-
Interest income	89,583	-	30,007	-
Dividend income	80,422	-	67,845	-
Other gains and losses	50,404	-	62,617	-
Gains (losses) on disposal of property, plant and equipment	304,132	1	134,893	1
Foreign exchange gains (losses)	143,614	-	(24,204)	-
Gains (losses) on financial assets at fair value through profit or loss	<u>(130,675)</u>	<u>-</u>	<u>16,110</u>	<u>-</u>
Total non-operating income and expenses	<u>629,111</u>	<u>1</u>	<u>218,353</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	5,107,020	12	3,545,496	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(886,247)</u>	<u>(2)</u>	<u>(604,744)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>4,220,773</u>	<u>10</u>	<u>2,940,752</u>	<u>7</u>

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 22)	\$ 109,511	-	\$ (48,395)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(253,744)	-	980,490	2
Income tax related to items that will not be reclassified subsequently to profit or loss	(5,812)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>39,330</u>	<u>-</u>	<u>(916,589)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(110,715)</u>	<u>-</u>	<u>15,506</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,110,058</u>	<u>10</u>	<u>\$ 2,956,258</u>	<u>7</u>
EARNINGS PER SHARE (Notes 4 and 28)				
From continuing operations				
Basic	<u>\$ 10.06</u>		<u>\$ 7.27</u>	
Diluted	<u>\$ 9.99</u>		<u>\$ 6.99</u>	

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company					Other Equity		Total Equity
	Ordinary Share	Certificates of Bond-to-stock Conversion	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	
				Legal Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 3,759,616	\$ 124,320	\$ 5,796,731	\$ 596,905	\$ 1,103,083	\$ (128,352)	\$ 269,065	\$ 11,521,368
Appropriation of 2020 earnings (Note 24)								
Legal reserve	-	-	-	58,610	(58,610)	-	-	-
Cash dividends	-	-	-	-	(311,733)	-	-	(311,733)
Total appropriation earnings	-	-	-	58,610	(370,343)	-	-	(311,733)
Net profit for the year ended December 31, 2021	-	-	-	-	2,940,752	-	-	2,940,752
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(48,395)	(916,589)	980,490	15,506
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,892,357	(916,589)	980,490	2,956,258
Convertible bonds converted to ordinary shares (Note 19)	412,485	(98,768)	884,833	-	-	-	-	1,198,550
Dividends from claims extinguished by prescriptions	-	-	10	-	-	-	-	10
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 12 and 24)	-	-	-	-	138,095	-	(138,095)	-
Disposal of subsidiaries (Note 29)	-	-	190,237	-	-	-	-	190,237
BALANCE AT DECEMBER 31, 2021	<u>4,172,101</u>	<u>25,552</u>	<u>6,871,811</u>	<u>655,515</u>	<u>3,763,192</u>	<u>(1,044,941)</u>	<u>1,111,460</u>	<u>15,554,690</u>
Appropriation of 2021 earnings (Note 24)								
Legal reserve	-	-	-	303,045	(303,045)	-	-	-
Cash dividends	-	-	-	-	(2,098,826)	-	-	(2,098,826)
Total appropriation earnings	-	-	-	303,045	(2,401,871)	-	-	(2,098,826)
Net profit for the year ended December 31, 2022	-	-	-	-	4,220,773	-	-	4,220,773
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	103,699	39,330	(253,744)	(110,715)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	4,324,472	39,330	(253,744)	4,110,058
Convertible bonds converted to ordinary shares (Note 19)	25,552	(25,552)	-	-	-	-	-	-
Dividends from claims extinguished by prescriptions	-	-	16	-	-	-	-	16
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Notes 12 and 24)	-	-	-	-	563,084	-	(563,084)	-
BALANCE AT DECEMBER 31, 2022	<u>\$ 4,197,653</u>	<u>\$ -</u>	<u>\$ 6,871,827</u>	<u>\$ 958,560</u>	<u>\$ 6,248,877</u>	<u>\$ (1,005,611)</u>	<u>\$ 294,632</u>	<u>\$ 17,565,938</u>

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,107,020	\$ 3,545,496
Adjustments for:		
Depreciation expense	1,039,876	1,089,508
Amortization expense	291,785	240,739
Expected credit loss recognized on accounts receivable	352	8,206
Finance costs	35,230	68,915
Interest income	(89,583)	(30,007)
Dividend income	(80,422)	(67,845)
Share of (profit) loss of associates	(126,861)	-
Gains on disposal of property, plant and equipment	(304,132)	(134,893)
Gain on lease modification	(110,866)	-
Other gains and losses	(90)	4,803
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(1,426)	(7,627)
(Increase) decrease in accounts receivable	(180,029)	577,125
(Increase) decrease in accounts receivable from related parties	(111,973)	(566,161)
(Increase) decrease in other receivables	480,595	265,280
(Increase) decrease in inventories	(1,599,361)	(649,170)
(Increase) decrease in other current assets	(113,769)	(95,441)
(Increase) decrease in other non-current assets	(96,007)	(3,977)
(Increase) decrease in notes payable	(38,753)	(327,117)
Increase (decrease) in accounts payable	(233,356)	(21,059)
Increase (decrease) in accounts payable to related parties	281,044	(358,443)
Increase (decrease) in other payables	(52,249)	916,119
Increase (decrease) in provisions	(407,467)	(316,438)
Increase (decrease) in other current liabilities	313,262	334,810
Increase (decrease) in net defined benefit liabilities	(2,193)	2,013
Increase (decrease) in other non-current liabilities	<u>3,696</u>	<u>(572)</u>
Cash flows generated from operations	4,004,323	4,474,264
Interest received	86,735	26,321
Interest paid	(33,826)	(64,963)
Income tax paid	(715,976)	(393,035)
Dividend received	<u>80,422</u>	<u>67,845</u>
Net cash flows generated from (used in) operating activities	<u>3,421,678</u>	<u>4,110,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	235,166
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,000	4,500
Acquisition of financial assets at fair value through profit or loss	(45,000)	(69,763)
Acquisition of investments accounted for using equity method	(358,772)	-

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NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Acquisition of subsidiaries	\$ -	\$ (77,934)
Proceeds from disposal of subsidiaries	-	59,593
Decrease in payable for investment	(362,643)	-
(Increase) decrease in finance lease receivables	71,848	-
Decrease in other receivables - time deposits	128,267	13,008
Acquisition of property, plant and equipment	(1,351,626)	(514,503)
Proceeds from disposal of property, plant and equipment	314,662	898,872
Acquisition of intangible assets	(374,144)	(308,239)
Proceeds from intangible assets	356	-
(Increase) decrease in refundable deposits paid	<u>(188,382)</u>	<u>517,310</u>
Net cash flows generated from (used in) investing activities	<u>(2,164,434)</u>	<u>758,010</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,069,040	452,550
Repayment of short-term borrowings	-	(2,242,449)
Proceeds from guarantee deposits received	433,932	1,892,669
Repayments of the principal portion of lease liabilities	(225,233)	(285,811)
Dividends paid to owners of the Company	<u>(2,098,826)</u>	<u>(311,733)</u>
Net cash flows generated from (used in) financing activities	<u>(821,087)</u>	<u>(494,774)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>262,997</u>	<u>(556,370)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	699,154	3,817,298
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,699,031</u>	<u>5,881,733</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,398,185</u>	<u>\$ 9,699,031</u>

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held both approximately 51% of the ownership interest in the Company as of December 31, 2022 and 2021.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on February 14, 2023.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financing Reporting Interpretation Committee (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the amendment to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

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

Subsidiary included in the consolidated financial statements:

Investor	Investee	Main Business	Percentage of Ownership (%)	
			2022	2021
The Company	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100	100
	Marketplace Management Limited (“MML”)	Investment holding	100	100
	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100	100
	Song Yong Investment Corporation (“SYI”)	Investment holding	100	100
	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Corporation America (“NTCA”)	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Holdings Japan (“NTHJ”)	Investment holding	100	100
	Nuvoton Technology Singapore Pte. Ltd (“NTSG”)	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Korea Limited (“NTKL”)	Design, sales and after-sales service of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
MML GLLC	Goldbond LLC (“GLLC”)	Investment holding	100	100
	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provides projects for sale in China and repairing, testing and consulting of software and leasing business	100	100
NTSH	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100	100
	Song Zhi Electronics Technology (Suzhou) (“Song Zhi Suzhou”)	Provide development of semiconductor and technology, consult service and equipment lease	100	100
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design and service of semiconductor	100	100
NTHJ	Nuvoton Technology Corporation Japan (“NTCJ”)	Design, sales and after-sales service of semiconductor	100	100
NTCJ	Atfields Manufacturing Technology Corporation (“AMTC”)	Design and service of semiconductor	100	100
	Miraxia Edge Technology Corporation (“METC”) (Note)	Design and service of semiconductor	-	-

Note: NTCJ has sold all of its shares of METC to Winbond Company on November 1, 2021, refer to Note 29 to the consolidated financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and

- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity and included in capital surplus - options is not remeasured at the end of the subsequent reporting period and its subsequent settlement is accounted for within equity and transferred to capital surplus - share premiums. Other contingent consideration is remeasured at fair value at the end of subsequent reporting period with any gain or loss recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Cash Equivalents

Cash equivalents include time deposits and investments, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31 to the consolidated financial statements.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Group always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Financial liabilities

1) Subsequent measurement

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Financial liabilities at fair value through profit or loss are stated at fair value, with any interest paid on such financial liabilities is recognized in finance costs, and any gains or losses arising on remeasurement recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

c. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross-currency swaps.

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

d. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

Inventories

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

Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group uses the equity method to account for its investments in associates and joint ventures.

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

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

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), recognizing its share of further loss. Additional losses and liabilities are discontinued recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of unrelated parties' interests in the associate.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

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

Intangible Assets

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

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

Impairment of Property, Plant and Equipment, Right-of-use Asset, Intangible Assets Other Than Goodwill

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

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

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

Products Guarantee Based on Commitment

The Group will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

Guarantee Deposit

The Group guarantee deposit mainly consists of cash received under deposit agreements with customers to ensure they have access to the Group specified capacity. When the contract expires, the guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned.

Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision, which is classified under other non-current liabilities.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs, and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and deposits in banks	\$ 10,348,185	\$ 9,224,031
Repurchase agreements collateralized by bonds	<u>50,000</u>	<u>475,000</u>
	<u>\$ 10,398,185</u>	<u>\$ 9,699,031</u>

- a. Please refer to Note 33 to the consolidated financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.
- b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables” as follows (Note 10 to the consolidated financial statements):

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Time deposits	<u>\$ 56,214</u>	<u>\$ 184,481</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets - current</u>		
Held for trading		
Foreign exchange forward contracts	<u>\$ 2,894</u>	<u>\$ 1,631</u>
<u>Financial assets - non-current</u>		
Mandatorily measured at FVTPL		
Domestic and oversea warrants	<u>\$ 121,775</u>	<u>\$ 69,200</u>
<u>Financial liabilities - current</u>		
Held for trading		
Foreign exchange forward contracts	<u>\$ 7,412</u>	<u>\$ -</u>

As at the end of the year, the outstanding foreign exchange forward contracts not treated under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2022</u>			
Sell forward exchange contracts	USD/NTD	2023.01.06-2023.03.03	USD30,000/NTD915,452
	USD/JPY	2023.01.23-2023.02.21	USD17,400/JPY2,300,582

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD/NTD	2022.01.06-2022.01.27	USD18,000/NTD499,871 (Concluded)

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

8. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2022	2021
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 4,412,957	\$ 4,204,016
Less: Allowance for impairment loss	<u>(34,115)</u>	<u>(32,854)</u>
	<u>\$ 4,378,842</u>	<u>\$ 4,171,162</u>

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the customer and the customer's current financial position, adjusted for economic conditions of the industry in which the customer operates, as well as the GDP forecast and industry outlooks. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable (including related parties) based on the Group's provision matrix.

December 31, 2022

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,393,253	\$ 6,176	\$ 1,678	\$ 11,850	\$ -	\$ 4,412,957
Loss allowance (lifetime ECL)	<u>(31,453)</u>	<u>(124)</u>	<u>(168)</u>	<u>(2,370)</u>	<u>-</u>	<u>(34,115)</u>
Amortized cost	<u>\$ 4,361,800</u>	<u>\$ 6,052</u>	<u>\$ 1,510</u>	<u>\$ 9,480</u>	<u>\$ -</u>	<u>\$ 4,378,842</u>

December 31, 2021

	Not Overdue	Overdue under 30 Days	Overdue 31 to 90 Days	Overdue 91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.1%-2%	2%	10%	20%	50%	
Gross carrying amount	\$ 4,180,759	\$ 23,257	\$ -	\$ -	\$ -	\$ 4,204,016
Loss allowance (lifetime ECL)	<u>(32,389)</u>	<u>(465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,854)</u>
Amortized cost	<u>\$ 4,148,370</u>	<u>\$ 22,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,171,162</u>

The movements of the loss allowance of accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 32,854	\$ 25,097
Add: Net remeasurement of loss allowance	352	8,206
Foreign currency exchange gains and losses	<u>909</u>	<u>(449)</u>
Balance at December 31	<u>\$ 34,115</u>	<u>\$ 32,854</u>

The Group's provision for losses on accounts receivable was recognized on a collective basis.

Refer to Note 31 to the consolidated financial statements for details of the factoring agreements for accounts receivable.

9. FINANCE LEASE RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Undiscounted lease payments</u>		
Year 1	\$ 100,135	\$ -
Year 2	100,135	-
Year 3	<u>25,034</u>	<u>-</u>
	225,304	-
Less: Unearned finance income	<u>(5,122)</u>	<u>-</u>
Finance lease receivables	<u>\$ 220,182</u>	<u>\$ -</u>

(Continued)

	December 31	
	2022	2021
Current	\$ 96,731	\$ -
Non-current	<u>123,451</u>	<u>-</u>
	<u>\$ 220,182</u>	<u>\$ -</u>

(Concluded)

The average lease term of finance lease receivables recognized by the Group from TPSCo. for the lease of property, plant and equipment and intangible assets is three years. The contract has an average implied interest rate of approximately 1.85% per annum. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

10. OTHER RECEIVABLES

	December 31	
	2022	2021
Time deposits (Note 6)	\$ 56,214	\$ 184,481
Business tax refund receivable	28,436	51,468
Royalty receivable	-	370,327
Technical service receivable	-	136,345
Others	<u>242,615</u>	<u>187,927</u>
	<u>\$ 327,265</u>	<u>\$ 930,548</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials and supplies	\$ 574,856	\$ 308,639
Work-in-process	6,025,839	4,582,132
Finished goods	1,857,865	1,953,941
Inventories in transit	<u>267</u>	<u>14,754</u>
	<u>\$ 8,458,827</u>	<u>\$ 6,859,466</u>

The operating cost for the years ended December 31, 2022 and 2021 was NT\$24,378,097 thousand and NT\$24,599,840 thousand, respectively. The inventory write-downs, obsolescence and abandonment of inventories for the years ended December 31, 2022 and 2021 were NT\$201,712 thousand and NT\$7,302 thousand, respectively.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	\$ 116,985	\$ 255,750
Brightek Optoelectronic Co., Ltd.	919	1,933
Unlisted shares		
United Industrial Gases Co., Ltd.	492,800	598,400
Yu-Ji Venture Capital Co., Ltd.	9,844	10,840
Autotalks Ltd. - Preferred E. Share	614,200	553,600
Tower Partners Semiconductor Co., Ltd. (“TPSCo.”)	-	1,255,651
Symetrix Corporation - Preferred A. Share	-	-
	<u>\$ 1,234,748</u>	<u>\$ 2,676,174</u>

These investments in equity instruments are not held for trading. Instead, they are held for mid-term to long-term strategic purposes. Accordingly, the management decided to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes.

The Group changed its accounting treatment of investment in TPSCo. to the equity method since April 2022, refer to Note 13 to the consolidated financial statements for related information; accordingly, the related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive income or loss of NT\$563,084 thousand was transferred to retained earnings. Refer to Note 24 to the consolidated financial statements for related information.

In January 2021, the Group sold remaining of its shares in Tower Semiconductor Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT\$235,166 thousand. Their related unrealized valuation gain of NT\$138,095 thousand was transferred from other equity to retained earnings. Refer to Note 24 to the consolidated financial statements for related information.

The Group recognized dividends of NT\$80,422 thousand and NT\$67,845 thousand during 2022 and 2021, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Tower Partners Semiconductor Co., LTD. (“TPSCo.”)	<u>\$ 1,710,869</u>	<u>\$ -</u>

Under the business acquisition agreement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on its ownership share. Thus, the Group has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the Group has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method. NTCJ subscribed for 30,919 shares issued in the cash capital increase by TPSCo. in a

amount of NT\$358,772. As of December 31, 2022, NTCJ has held TPSCo.'s 45,619 shares with a direct shareholding of 49%.

The equity method of investment and the Groups' share of profit or loss of the investment was calculated based on the associate's financial statement which has been reviewed by independent auditors for the respective period.

In June 2022, the Group transferred the right-of-use asset contract to TPSCo. The related deferred benefit will be recognized in accordance with the remaining lease term of the contract, refer to Note 32 to the consolidated financial statements.

The investments accounted for using equity method and the shares of profit or loss of these investments for the year ended December 31, 2022 were based on the associates' financial statements audited by independent auditors.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31							
	2022	2021						
Land	\$ 1,890,924	\$ 1,918,115						
Buildings	1,908,905	1,942,495						
Machinery and equipment	1,470,965	1,057,514						
Other equipment	276,558	229,092						
Construction in progress and prepayments for purchase of equipment	216,733	101,297						
	<u>\$ 5,764,085</u>	<u>\$ 5,248,513</u>						
			Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 1,918,115	\$ 20,895,264	\$ 55,766,204	\$ 3,323,174	\$ 101,297	\$ 82,004,054		
Additions	24,667	57,851	143,191	41,909	1,167,048	1,434,666		
Disposals	-	(19,722)	(785,157)	(166,385)	-	(971,264)		
Reclassified	12,248	131,444	668,033	236,727	(1,048,452)	-		
Effects of foreign currency exchange differences	(64,106)	(574,588)	(1,471,454)	(93,972)	(3,160)	(2,207,280)		
Balance at December 31, 2022	<u>1,890,924</u>	<u>20,490,249</u>	<u>54,320,817</u>	<u>3,341,453</u>	<u>216,733</u>	<u>80,260,176</u>		
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	-	18,952,769	54,708,690	3,094,082	-	76,755,541		
Disposals	-	(19,722)	(775,208)	(93,271)	-	(888,201)		
Depreciation expense	-	165,750	388,297	152,655	-	706,702		
Reclassified	-	-	(3)	3	-	-		
Effects of foreign currency exchange differences	-	(517,453)	(1,471,924)	(88,574)	-	(2,077,951)		
Balance at December 31, 2022	<u>-</u>	<u>18,581,344</u>	<u>52,849,852</u>	<u>3,064,895</u>	<u>-</u>	<u>74,496,091</u>		
Carrying amounts at December 31, 2022	<u>\$ 1,890,924</u>	<u>\$ 1,908,905</u>	<u>\$ 1,470,965</u>	<u>\$ 276,558</u>	<u>\$ 216,733</u>	<u>\$ 5,764,085</u>		

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 2,203,639	\$ 23,437,689	\$ 63,250,171	\$ 3,831,256	\$ 172,820	\$ 92,895,575
Additions	-	35,417	159,336	178,529	78,895	452,177
Business combinations - subsequent adjustment of fair value	-	-	437,628	-	-	437,628
Disposals	-	(13,697)	(1,569,426)	(214,383)	-	(1,797,506)
Disposals of subsidiaries (Reorganization)	-	(9,456)	-	(34,701)	-	(44,157)
Reclassified	-	3,095	116,918	10,830	(130,843)	-
Effects of foreign currency exchange differences	(285,524)	(2,557,784)	(6,628,423)	(448,357)	(19,575)	(9,939,663)
Balance at December 31, 2021	<u>1,918,115</u>	<u>20,895,264</u>	<u>55,766,204</u>	<u>3,323,174</u>	<u>101,297</u>	<u>82,004,054</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	-	21,063,657	61,675,684	3,574,656	34,471	86,348,468
Disposals	-	(13,650)	(822,206)	(197,671)	-	(1,033,527)
Depreciation expense	-	195,267	354,700	169,364	-	719,331
Disposals of subsidiaries (Reorganization)	-	(7,029)	-	(30,981)	-	(38,010)
Reclassified	-	79	31,168	428	(31,675)	-
Effects of foreign currency exchange differences	-	(2,285,555)	(6,530,656)	(421,714)	(2,796)	(9,240,721)
Balance at December 31, 2021	<u>-</u>	<u>18,952,769</u>	<u>54,708,690</u>	<u>3,094,082</u>	<u>-</u>	<u>76,755,541</u>
Carrying amounts at December 31, 2021	<u>\$ 1,918,115</u>	<u>\$ 1,942,495</u>	<u>\$ 1,057,514</u>	<u>\$ 229,092</u>	<u>\$ 101,297</u>	<u>\$ 5,248,513</u>

(Concluded)

- Refer to Note 33 to the consolidated financial statements for the amount of property, plant and equipment pledged as collateral for bank borrowings.
- In the second quarter of 2022, the carrying amount of other equipment disposed under finance leases was NT\$72,533 thousand. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

15. LEASE ARRANGEMENTS

- Right-of-use assets

<u>Carrying amounts</u>	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 150,211	\$ 173,211
Buildings	313,972	246,377
Machinery and equipment	139,758	754,180
Other equipment	<u>19,926</u>	<u>23,845</u>
	<u>\$ 623,867</u>	<u>\$ 1,197,613</u>

In June 2022, the Group transferred the lease agreement of machinery and equipment which was recorded as right-of-use asset to TPSCo. and generated a lease modification benefit of approximately NT\$178,623 thousand. Refer to Note 32 to the consolidated financial statements for related information.

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ <u>214,534</u>	\$ <u>36,274</u>
Depreciation for right-of-use assets		
Land	\$ 25,170	\$ 25,055
Buildings	118,682	102,506
Machinery and equipment	32,999	68,557
Other equipment	<u>17,560</u>	<u>18,869</u>
	<u>\$ 194,411</u>	<u>\$ 214,987</u>
Income from the subleasing of right-of-use assets (presented in other income)	\$ <u>7,329</u>	\$ <u>7,433</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ <u>169,896</u>	\$ <u>247,308</u>
Non-current	\$ <u>491,363</u>	\$ <u>1,118,284</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.14%-3.03%	0.33%-3.75%
Machinery and Equipment	0.48%-0.80%	0.26%-0.80%
Other equipment	0.14%-2.44%	0.44%-3.61%

For the years ended December 31, 2022 and 2021, the interest expense under lease liabilities amounted to \$11,857 thousand and \$16,769 thousand, respectively.

c. Material lease-in activities and terms

The Group leased parcels of land from Science Park Administration, and the lease term will expire in December 2027, which can be extended after the expiration of the lease periods.

The Group leased parcels of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 32 to the consolidated financial statements).

The Group leased some of the offices in the United States, China, Israel, India, Korea and Taiwan, and the lease terms will expire between 2023 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

Except for what is stated in Notes 9 and 16 to the consolidated financial statements, the Group subleases its right-of-use assets for buildings under operating leases. The maturity analysis of lease payments receivable under operating subleases is as follows:

	December 31	
	2022	2021
Year 1	\$ 7,429	\$ 7,373
Year 2	5,824	2,080
Year 3	4,041	-
Year 4	-	-
Year 5	-	-
Year 6 onwards	<u>-</u>	<u>-</u>
	<u>\$ 17,294</u>	<u>\$ 9,453</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 161,211</u>	<u>\$ 230,634</u>
Total cash outflow for leases	<u>\$ (397,940)</u>	<u>\$ (533,568)</u>

The Group leases certain buildings, machinery and transportation equipment which qualified as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

	December 31	
	2022	2021
Investment properties, net	<u>\$ 1,798,160</u>	<u>\$ 2,005,598</u>

The Group acquired investment properties through business combinations in Niigata and Toyama, Japan on September 1, 2020. The fair value of investment properties was NT\$2,503,591 thousand on the purchase price allocation report. The Group's management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties as of December 31, 2022 and 2021.

The remaining investment properties are located in Shenzhen, China. As of December 31, 2022 and 2021, the fair value of such investment properties was both approximately NT\$200,000 thousand, which used as reference the neighboring area transactions.

	December 31	
	2022	2021
<u>Cost</u>		
Balance at January 1	\$ 7,924,196	\$ 9,090,968
Disposals	-	(1,176)
Effects of foreign currency exchange differences	<u>(262,074)</u>	<u>(1,165,596)</u>
Balance at December 31	<u>7,662,122</u>	<u>7,924,196</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	5,918,598	6,624,301
Depreciation expense	138,763	155,190
Disposals	-	(1,176)
Effects of foreign currency exchange differences	<u>(193,399)</u>	<u>(859,717)</u>
Balance at December 31	<u>5,863,962</u>	<u>5,918,598</u>
Carrying amount at December 31	<u>\$ 1,798,160</u>	<u>\$ 2,005,598</u>

The investment properties were leased out for 3 to 12 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2022	2021
Year 1	\$ 171,129	\$ 178,142
Year 2	152,691	155,123
Year 3	149,898	155,123
Year 4	149,898	155,123
Year 5	149,898	155,123
Year 6 on wards	<u>637,067</u>	<u>814,391</u>
	<u>\$ 1,410,581</u>	<u>\$ 1,613,025</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

Please refer to Note 33 to the consolidated financial statements for the amount of investment properties pledged as collateral for bank borrowings.

17. INTANGIBLE ASSETS

	December 31	
	2022	2021
Deferred technical assets	\$ 550,613	\$ 600,612
Other intangible assets	<u>172,144</u>	<u>382,717</u>
	<u>\$ 722,757</u>	<u>\$ 983,329</u>

	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 1,892,805	\$ 1,305,198	\$ 3,198,003
Additions	170,807	85,079	255,886
Disposals	-	(206,023)	(206,023)
Effects of foreign currency exchange differences	(1,039)	(47,875)	(48,914)
Balance at December 31, 2022	<u>2,062,573</u>	<u>1,136,379</u>	<u>3,198,952</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	1,292,193	922,481	2,214,674
Amortization expense	219,914	71,871	291,785
Disposals	-	(901)	(901)
Effects of foreign currency exchange differences	(147)	(29,216)	(29,363)
Balance at December 31, 2022	<u>1,511,960</u>	<u>964,235</u>	<u>2,476,195</u>
Carrying amounts at December 31, 2022	<u>\$ 550,613</u>	<u>\$ 172,144</u>	<u>\$ 722,757</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,640,243	\$ 1,360,969	\$ 3,001,212
Additions	259,590	210,226	469,816
Disposals	(5,591)	-	(5,591)
Disposals of subsidiaries (reorganization)	-	(98,539)	(98,539)
Effects of foreign currency exchange differences	(1,437)	(167,458)	(168,895)
Balance at December 31, 2021	<u>1,892,805</u>	<u>1,305,198</u>	<u>3,198,003</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	1,102,746	1,095,775	2,198,521
Amortization expense	190,174	50,565	240,739
Disposals	(788)	-	(788)
Disposals of subsidiaries (reorganization)	-	(83,811)	(83,811)
Effects of foreign currency exchange differences	61	(140,048)	(139,987)
Balance at December 31, 2021	<u>1,292,193</u>	<u>922,481</u>	<u>2,214,674</u>
Carrying amounts at December 31, 2021	<u>\$ 600,612</u>	<u>\$ 382,717</u>	<u>\$ 983,329</u>

In the year of 2022, the carrying amount of intangible assets disposed under finance leases was NT\$204,857 thousand. Refer to Note 32 to the consolidated financial statements for details of finance lease contracts.

18. BORROWINGS

a. Short-term borrowings

	December 31			
	2022		2021	
	Interest Rate	Amount	Interest Rate	Amount
<u>Secured borrowings</u>				
Chinatrust Commercial Bank Co., Ltd.	1.15%	\$ 952,840	-	\$ -
<u>Unsecured borrowings</u>				
Chinatrust Commercial Bank Co., Ltd.	1.02%	<u>116,200</u>	-	<u>-</u>
		<u>\$ 1,069,040</u>		<u>\$ -</u>

The short-term borrowings of Chinatrust Commercial Bank Co., Ltd are secured and guaranteed by the parent company (refer to Note 32 to the consolidated financial statements).

b. Long-term borrowings

	Period	Interest Rate	December 31	
			2022	2021
<u>Unsecured borrowings</u>				
The Export-Import Bank of ROC	2019.09.20- 2026.09.21	0.92%-1.34%	\$ 500,000	\$ 500,000
The Export-Import Bank of ROC	2020.08.25- 2027.08.25	0.92%-1.34%	<u>1,000,000</u>	<u>1,000,000</u>
			1,500,000	<u>\$ 1,500,000</u>
Less: current portion			<u>(71,429)</u>	
			<u>\$ 1,428,571</u>	

The proceeds of the Group's unsecured loan was use to invest in Autotalks Ltd. and acquire Panasonic's semiconductor business in Japan.

To repay outstanding debt and enhance mid-term working capital, NTCJ entered into a JPY30 billion syndicated loan agreement with banks on May 17, 2021, which include Chinatrust Commercial Bank Co., Ltd. and other banks. Pursuant to the loan contract, the Company should directly or indirectly hold at least 100% of the issued shares or capital and maintain control over the operation of NTCJ, and NTCJ and Winbond Company must maintain the financial debt ratio not to be lower than certain ratio during the loan period. The aforementioned financial ratio is calculated based on the audited consolidated financial statements.

Please refer to Note 33 to the consolidated financial statements for the collateral of the syndicated loan.

19. BONDS PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Unsecured domestic convertible bonds	\$ <u> -</u>	\$ <u> -</u>

In May 2020, the Company issued 20 thousand units, NT\$100,000 per unit, maturity after 7 years, 0% NTD-denominated unsecured convertible bonds, with an aggregate principal amount of NT\$2,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

- a. The conversion price was set at NT\$39.9 per share at the time of issuance. When meeting certain criteria, adjustments on the conversion price are made in accordance with the terms and conditions. Since the Company distributed cash dividends in August 2021, the conversion price should be adjusted according to issuance and conversion measures, the conversion price was adjusted to NT\$38 since August 22, 2021. All convertible bonds were converted into ordinary shares as of December 31, 2021.
- b. After the first three months of the issuance and forty days before the maturity date, if the closing price of the Company's common shares listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price or the outstanding balance of the bonds is less than 10% in principal amount of the bonds originally outstanding for thirty consecutive business days, the Company may redeem the bonds in cash at the principal amount.
- c. After the bonds has been issued for over five years, the bondholders may request the Company to redeem the bonds at 106.41% of the principal amount (annual rate of return 1.25%).
- d. Except for the bonds that have been redeemed, sold back, converted or bought back by the Company in the market, the principal will be repaid in cash upon maturity at a rate of 109.09% (annual rate of return 1.25% upon maturity).

20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Payable for salaries or employee benefits	\$ 1,632,490	\$ 1,510,233
Payable for royalties	510,272	538,268
Payable for maintenance	257,092	313,857
Payable for purchase of equipment	151,618	68,578
Payable for software	104,241	61,983
Payable for service	99,345	36,952
Payable for utilities	73,009	207,440
Payable for professional service	52,126	96,124
Payable for investment	-	285,923
Others	<u>1,584,067</u>	<u>1,676,412</u>
	<u>\$ 4,464,260</u>	<u>\$ 4,795,770</u>

21. PROVISIONS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Decommissioning costs	<u>\$ 132,473</u>	<u>\$ 532,948</u>
<u>Non-current</u>		
Employee benefits	\$ 1,485,268	\$ 1,537,035
Decommissioning costs	510,815	653,679
Warranties	<u>495,204</u>	<u>538,639</u>
	<u>\$ 2,491,287</u>	<u>\$ 2,729,353</u>

	De- commissioning Costs	Employee Benefits	Warranties	Total
Balance at January 1, 2022	\$ 1,186,627	\$ 1,537,035	\$ 538,639	\$ 3,262,301
Decreased	(475,526)	-	(28,120)	(503,646)
Effects of foreign currency exchange differences	<u>(67,813)</u>	<u>(51,767)</u>	<u>(15,315)</u>	<u>(134,895)</u>
Balance at December 31, 2022	<u>\$ 643,288</u>	<u>\$ 1,485,268</u>	<u>\$ 495,204</u>	<u>\$ 2,623,760</u>

The Company acquired Panasonic's semiconductor business in September 2020. Some fabs will be closed due to low capacity utilization, decommissioning costs and labor costs were accounted for decommissioning liabilities and employee benefits provision.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average of monthly salaries of the 6 months before retirement. In 2022 and 2021, the Company contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate

to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The payables for employee turnover of NTIL are calculated on the basis of the length of service and the last monthly salary under a defined benefit plan.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 2,744,500	\$ 2,851,529
Fair value of plan assets	<u>(1,251,927)</u>	<u>(1,209,668)</u>
Net defined benefit liabilities, non-current	<u>\$ 1,492,573</u>	<u>\$ 1,641,861</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ <u>2,968,227</u>	\$ <u>(1,188,219)</u>	\$ <u>1,780,008</u>
Service cost			
Current service cost	42,231	-	42,231
Net interest expense (income)	<u>16,971</u>	<u>(10,973)</u>	<u>5,998</u>
Recognized in profit or loss	<u>59,202</u>	<u>(10,973)</u>	<u>48,229</u>
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	-	(9,903)	(9,903)
Actuarial (gain) loss - changes in demographic assumptions	16,877	-	16,877
Actuarial (gain) loss - changes in financial assumptions	44,987	(9,249)	35,738
Actuarial (gain) loss - experience adjustments	<u>26,105</u>	<u>(20,422)</u>	<u>5,683</u>
Recognized in other comprehensive income	<u>87,969</u>	<u>(39,574)</u>	<u>48,395</u>
Contributions from the employer	-	(44,875)	(44,875)
Benefits paid	(76,307)	75,397	(910)
Effect of foreign currency exchange differences	<u>(187,562)</u>	<u>(1,424)</u>	<u>(188,986)</u>
Balance at December 31, 2021	<u>2,851,529</u>	<u>(1,209,668)</u>	<u>1,641,861</u>
Service cost			
Current service cost	51,982	-	51,982
Net interest expense (income)	<u>25,350</u>	<u>(19,333)</u>	<u>6,017</u>
Recognized in profit or loss	<u>77,332</u>	<u>(19,333)</u>	<u>57,999</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Actuarial (gain) loss - the discount rate greater (less) than the realized rate of return	\$ -	\$ (53,296)	\$ (53,296)
Actuarial (gain) loss - changes in financial assumptions	(183,608)	21,254	(162,354)
Actuarial (gain) loss - experience adjustments	<u>103,244</u>	<u>2,895</u>	<u>106,139</u>
Recognized in other comprehensive income	<u>(80,364)</u>	<u>(29,147)</u>	<u>(109,511)</u>
Contributions from the employer	-	(53,552)	(53,552)
Benefits paid	(50,369)	49,496	(873)
Effect of foreign currency exchange differences	<u>(53,628)</u>	<u>10,277</u>	<u>(43,351)</u>
Balance at December 31, 2022	<u>\$ 2,744,500</u>	<u>\$ (1,251,927)</u>	<u>\$ 1,492,573</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans were as follows:

	For the Year Ended December 31	
	2022	2021
Analysis by function		
Operating cost	\$ 4,339	\$ 4,621
Selling expenses	122	101
General and administrative expenses	13,147	3,266
Research and development expenses	<u>40,391</u>	<u>40,241</u>
	<u>\$ 57,999</u>	<u>\$ 48,229</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	2021
Discount rate(s)	1.25%-2.62%	0.7%-1.48%
Expected rate(s) of salary increase	1.5%-2.5%	1.5%-2.5%

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

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	<u>\$ (26,774)</u>	<u>\$ (34,009)</u>
0.25% decrease	<u>\$ 30,956</u>	<u>\$ 38,370</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 27,497</u>	<u>\$ 35,010</u>
0.25% decrease	<u>\$ (24,950)</u>	<u>\$ (29,137)</u>

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

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 100,501</u>	<u>\$ 80,551</u>
The average duration of the defined benefit obligation	7.5-11.84 years	8.2-12.15 years

23. GUARANTEE DEPOSITS

	December 31	
	2022	2021
Capacity guarantee	\$ 2,294,914	\$ 1,879,725
Others	<u>56,114</u>	<u>82,517</u>
	<u>\$ 2,351,028</u>	<u>\$ 1,962,242</u>

When the contract expires, the capacity guarantee deposits will be refunded to customers by offsetting related accounts receivable or returned, since the aforementioned contract's period all exceeds one year, guarantee deposits are accounted as non-current liabilities.

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Shares authorized (in thousands of shares)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>419,765</u>	<u>417,210</u>
Shares issued and fully paid	<u>\$ 4,197,653</u>	<u>\$ 4,172,101</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>

As of December 31, 2021, the Company has issued 31,372 thousand shares of ordinary shares due to the conversion of unsecured convertible bonds, all ordinary shares issuance has been registered.

As of December 31, 2022 and 2021, the balance of the Company's capital account amounted to NT\$4,197,653 thousand and NT\$4,172,101 thousand, divided into 419,765 thousand ordinary shares and 417,210 thousand ordinary shares with a par value of NT\$10.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Additional paid-in capital	\$ 5,088,159	\$ 5,088,159
Conversion of bonds	1,481,180	1,481,180
Employee share options	13	13
Cash capital increase reserved for employee share options	112,160	112,160
<u>May only be used to offset a deficit</u>		
Overdue dividends unclaimed	78	62
Share of changes in capital surplus of associates or joint ventures (disposals of subsidiaries)	<u>190,237</u>	<u>190,237</u>
	<u>\$ 6,871,827</u>	<u>\$ 6,871,811</u>

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

c. Retained earnings and dividends policy

The shareholders held their regular meeting on May 29, 2020 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a

distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The board of directors shall be authorized to distribute the profit, the legal reserve, and the capital plus in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 27 to the consolidated financial statements.

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

The appropriation of earnings for 2021 and 2020 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2021</u>	<u>For Year 2020</u>	<u>For Year 2021</u>	<u>For Year 2020</u>
Legal reserve	\$ 303,045	\$ 58,610		
Cash dividends	<u>2,098,826</u>	<u>311,733</u>	\$5.00	\$0.76
	<u>\$ 2,401,871</u>	<u>\$ 370,343</u>		

Except for the cash dividends were distributed by the Company's board meeting on and March 15, 2022 and March 16, 2021, respectively, the rest of the 2022 and 2021 appropriation of earnings were proposed by the Company's board meeting and were resolved by the shareholders regular meeting on June 2, 2022 and August 20, 2021, respectively.

The appropriation of earnings for 2022 was not initiated in the Company's board meeting as of February 14, 2023.

d. Other equity items

- 1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. For the years ended December 31, 2022 and 2021, other comprehensive gain (loss) was NT\$39,330 thousand and NT\$(916,589) thousand, respectively.
- 2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	<u>For the Year End December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 1,111,460	\$ 269,065
Recognized for the period	(253,744)	980,490
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(563,084)</u>	<u>(138,095)</u>
Balance at December 31	<u>\$ 294,632</u>	<u>\$ 1,111,460</u>

Unrealized gains (losses) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

25. REVENUE

Refer to Note 37 to the consolidated financial statements for the Group's revenue.

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 998,789	\$ 585,262
Adjustment for prior years' tax	20,540	(440)
Deferred tax		
In respect of the current year	<u>(133,082)</u>	<u>19,922</u>
Income tax expense recognized in profit or loss	<u>\$ 886,247</u>	<u>\$ 604,744</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Income tax expense from continuing operations at the statutory rate	\$ 1,262,449	\$ 1,016,166
Tax effect of adjustment item		
Permanent differences	68,879	(90,911)
Tax-exempt income	(15,900)	(12,000)
Others	<u>(341,721)</u>	<u>(180,071)</u>
Current income tax	973,707	733,184
Unused investment credits	(108,000)	(128,000)
Adjustment for prior year's income tax	<u>20,540</u>	<u>(440)</u>
Income tax expense recognized in profit or loss	<u>\$ 886,247</u>	<u>\$ 604,744</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Tax refund receivables	<u>\$ 14,263</u>	<u>\$ 51,491</u>
Income tax payables	<u>\$ 712,005</u>	<u>\$ 402,369</u>

d. Deferred tax assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deferred tax assets		
Allowance for inventory valuation and obsolescence loss and others	<u>\$ 198,727</u>	<u>\$ 89,019</u>

e. Deferred tax liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deferred tax liabilities		
Unrealized valuation gains or losses	<u>\$ 13,209</u>	<u>\$ 36,583</u>

f. Income tax assessments

The Company's tax returns through 2020 have been examined by the tax authorities.

g. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

27. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	<u>For the Year Ended December 31</u>							
	<u>2022</u>				<u>2021</u>			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	\$ 1,229,737	\$ 7,371,356	\$ -	\$ 8,601,093	\$ 1,142,560	\$ 6,272,281	\$ -	\$ 7,414,841
Post-employment benefits	44,155	464,481	-	508,636	31,910	411,963	-	443,873
Depreciation	529,043	371,585	139,248	1,039,876	543,284	391,034	155,190	1,089,508
Amortization	5,362	286,423	-	291,785	23,131	217,608	-	240,739

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of director.

The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>			
	<u>2022</u>		<u>2021</u>	
	Amount	%	Amount	%
Employees' cash compensation	\$ 306,214	6	\$ 212,242	6
Remuneration of directors	51,036	1	35,374	1

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 10, 2022 and February 18, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Employees' cash compensation	\$ 212,242	6	\$ 42,422	6
Remuneration of directors	35,374	1	7,070	1

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. EARNINGS PER SHARE

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

	For the Year Ended December 31					
	2022			2021		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)
Basic earnings per share						
Net profit attributed to owners of the Company	\$ 4,220,773	419,765	<u>\$ 10.06</u>	\$ 2,940,752	404,370	<u>\$ 7.27</u>
Effect of potentially dilutive ordinary shares						
Employees' compensation	-	2,829		-	1,629	
Convertible bonds	-	-		5,856	15,395	
Diluted earnings per share						
Net profit attributed to owners of the Company	<u>\$ 4,220,773</u>	<u>422,594</u>	<u>\$ 9.99</u>	<u>\$ 2,946,608</u>	<u>421,394</u>	<u>\$ 6.99</u>

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

29. DISPOSAL OF SUBSIDIARIES

The Group sold 100% shares of METC to the parent company (Winbond Electronics Corporation) at the consideration JPY1,462,000 thousand (NT\$357,897 thousand) on November 1, 2021. Since this equity transaction is deemed as a reorganization, the difference between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to the capital surplus.

a. Consideration received from disposals

	METC
Cash and cash equivalents	<u>\$ 357,897</u>

b. Analysis of assets and liabilities on the date control was lost

	METC
Current assets	
Cash and cash equivalents	\$ 298,304
Accounts receivable and other receivables	101,201
Inventories	39,835
Prepayments	6,147
Non-current assets	
Property, plant and equipment	6,146
Intangible assets	14,728
Deferred tax assets	<u>65,349</u>
Total assets	<u>\$ 531,710</u>
Current liabilities	
Accounts payable and other payables	\$ 291,280
Current tax liabilities	17,717
Other current liabilities	<u>55,053</u>
Total liabilities	<u>\$ 364,050</u>
Net assets disposed of	<u>\$ 167,660</u>

c. Net cash inflow on disposals of subsidiaries

	METC
Consideration received in cash and cash equivalents	\$ 357,897
Less: Cash and cash equivalent balances disposed of	<u>(298,304)</u>
	<u>\$ 59,593</u>

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost (Note 1)	\$ 15,662,336	\$ 15,662,336	\$ 14,934,928	\$ 14,934,928
Financial assets at FVTPL				
Derivative financial assets	124,669	124,669	70,831	70,831
Financial assets at FVTOCI				
Investment in equity instruments	1,234,748	1,234,748	2,676,174	2,676,174
<u>Financial liabilities</u>				
Financial liabilities at amortized cost (Note 2)	12,533,065	12,533,065	11,397,814	11,397,814
Financial liabilities at FVTPL				
Derivative financial liabilities	7,412	7,412	-	-

Note 1: Including cash and cash equivalents, accounts receivable (including related parties), finance lease receivables, other receivables and refundable deposits.

Note 2: Including notes and accounts payable (including related parties), other payables, short-term loans, long-term loans (including current portion) and guarantee deposits.

b. Fair value information

- 1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable and the significance in its entirety, which are described as follows:
 - a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- 2) Fair value measurements recognized in the consolidated balance sheets
 - a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and market shares).

- b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts are measured using individual maturity rate to calculate the fair value of each contract.
- c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for the lack of marketability was 29%; which increase by 1% while all the other variables are held constant, the fair value of investments will decrease by \$8,651 thousand and \$7,797 thousand for the years ended December 31, 2022 and 2021, respectively.

3) Fair value of financial instruments measured at fair value on a recurring basis

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 2,894	\$ 121,775	\$ 124,669
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ 117,904	\$ -	\$ -	\$ 117,904
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 1,116,844	\$ 1,116,844
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 7,412	\$ -	\$ 7,412
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 1,631	\$ 69,200	\$ 70,831
<u>Financial assets at FVTOCI</u>				
Domestic and overseas listed shares and emerging market shares	\$ 257,683	\$ -	\$ -	\$ 257,683
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 2,418,491	\$ 2,418,491

4) Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 2,487,691	\$ 1,492,891
Additions	45,000	69,763
Proceeds from capital reduction of investments	(1,000)	(4,500)
Recognized in other comprehensive income	(10,968)	930,100
Recognized in profit or loss	7,575	(563)
Transferred to investments accounted for using the equity method	<u>(1,289,679)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,238,619</u>	<u>\$ 2,487,691</u>

c. Financial risk management objectives and policies

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising on the export business.

a) Foreign currency risk

The Group has foreign currency denominated transactions, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 36 to the consolidated financial statements.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT\$13,042 thousand decrease and NT\$9,044 thousand decrease for the years ended December 31, 2022 and 2021, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider the impact of hedge contracts and hedged item.

b) Interest rate risk

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

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Cash flow interest rate risk		
Financial assets	\$ 8,413	\$ 8,413
Financial liabilities	2,569,040	1,500,000

The sensitivity analysis of cash flows based on the Group's exposure to interest rates for fair value of variable-rate non-derivative instruments at the end of the reporting period. If interest rates increased by 1%, the Group's cash outflows for the years ended December 31, 2022 and 2021 would have increased by NT\$25,606 thousand and NT\$14,916 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group, to mitigate the risk of financial loss from defaults, the Group has established risk procedures and is continuously assessing the credit risk of each counterparty, sufficient collateral will be obtained when necessary. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

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

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

	December 31, 2022			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,612,997	\$ -	\$ -	\$ 7,612,997
Lease liabilities	180,503	140,228	381,071	701,802
Variable interest rate liabilities	<u>1,140,469</u>	<u>285,714</u>	<u>1,142,857</u>	<u>2,569,040</u>
	<u>\$ 8,933,969</u>	<u>\$ 425,942</u>	<u>\$ 1,523,928</u>	<u>\$ 10,883,839</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
<u>Non-derivative financial liabilities</u>				
Lease liabilities	<u>\$ 320,731</u>	<u>\$ 231,766</u>	<u>\$ 149,305</u>	<u>\$ 701,802</u>

	December 31, 2021			
	Within 1 Year	1-2 Years	Over 2 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,935,572	\$ -	\$ -	\$ 7,935,572
Lease liabilities	252,436	214,985	953,845	1,421,266
Variable interest rate liabilities	<u>-</u>	<u>71,429</u>	<u>1,428,571</u>	<u>1,500,000</u>
	<u>\$ 8,188,008</u>	<u>\$ 286,414</u>	<u>\$ 2,382,416</u>	<u>\$ 10,856,838</u>

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	Over 5 Years	Total
	<u>Non-derivative financial liabilities</u>			
Lease liabilities	<u>\$ 467,421</u>	<u>\$ 391,026</u>	<u>\$ 562,819</u>	<u>\$ 1,421,266</u>

d. Transfers of financial assets

Factored accounts receivable that are not yet overdue at December 31, 2022, and 2021 was as follows:

December 31, 2022: None

December 31, 2021

Counterparty	Receivables Factoring Proceeds	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Sumitomo Mitsui Banking Corporation	<u>\$ 98,885</u>	<u>\$ -</u>	<u>\$ 98,885</u>	<u>0.9</u>

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

32. RELATED PARTY TRANSACTIONS

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

<u>Related Party Name</u>	<u>Related Party Categories</u>
Winbond Electronics Corporation ("WEC")	The Company's parent
Winbond Electronics (HK) Limited ("WEHK")	Associate
Winbond Electronics Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate

(Continued)

<u>Related Party Name</u>	<u>Related Party Categories</u>
Callisto Holding Limited	Associate
Miraxia Edge Technology Corporation (“METC”)	Associate
TPSCo.	Related party in substance
Winbond Electronics Germany GmbH (“WEG”)	Associate
Nyquest Technology Co., Ltd. (“Nyquest”)	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance
Glorystones Corporation	Related party in substance
Waltech Advanced Engineering (Suzhou), Inc. (“Waltech”)	Related party in substance
	(Concluded)

Note: The Group has significant influence over TPSCo. Starting from April 2022, therefore TPSCo. has been reclassified from related party in substance to associate. Refer to Note 13 to the consolidated financial statements.

b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
1) Operating revenue		
Related party in substance	\$ 3,506,494	\$ 4,040,228
Associate	<u>401,706</u>	<u>81,846</u>
	<u>\$ 3,908,200</u>	<u>\$ 4,122,074</u>
2) Purchases of goods		
Associate		
TPSCo.	\$ 3,099,787	\$ -
Others	9,884	-
Related party in substance		
TPSCo.	1,498,020	6,319,062
Others	-	111,089
Parent company	<u>189,136</u>	<u>372,726</u>
	<u>\$ 4,796,827</u>	<u>\$ 6,802,877</u>
3) Manufacturing expenses		
Associate		
TPSCo.	\$ 1,408,002	\$ -
Related party in substance		
TPSCo.	475,284	2,037,130
Waltech	1,076,208	362,342
Others	-	12,194
Parent company	<u>1,088</u>	<u>671</u>
	<u>\$ 2,960,582</u>	<u>\$ 2,412,337</u>

	For the Year Ended December 31	
	2022	2021
4) Operating expenses		
Associate	\$ 578,351	\$ 96,922
Related party in substance	124,134	407,498
Parent company	<u>75,958</u>	<u>39,065</u>
	<u>\$ 778,443</u>	<u>\$ 543,485</u>
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	\$ 67,118	\$ 62,000
Nyquest	<u>13,200</u>	<u>5,775</u>
	<u>\$ 80,318</u>	<u>\$ 67,775</u>
6) Other income (loss)		
Associate	\$ 12,119	\$ -
Related party in substance	<u>649</u>	<u>126</u>
	<u>\$ 12,768</u>	<u>\$ 126</u>
	December 31	
	2022	2021
7) Accounts receivable from related parties		
Related party in substance		
Waltech	\$ 684,713	\$ 564,244
Others	15,724	75,019
Associate	<u>68,274</u>	<u>17,475</u>
	<u>\$ 768,711</u>	<u>\$ 656,738</u>
8) Other receivables		
Associate		
TPSCo.	\$ 54,318	\$ -
Others	7,202	14,359
Related party in substance		
TPSCo.	-	262,957
Others	340	4,241
Parent company	<u>597</u>	<u>-</u>
	<u>\$ 62,457</u>	<u>\$ 281,557</u>

Other receivables - related parties were collection or payment on behalf of others.

	December 31	
	2022	2021
9) Refundable deposits		
Parent company	\$ 1,780	\$ 1,780
Related party in substance	<u>1,722</u>	<u>1,722</u>
	<u>\$ 3,502</u>	<u>\$ 3,502</u>
10) Accounts payable to related parties		
Associate		
TPSCo.	\$ 252,642	\$ -
Related party in substance		
Waltech	474,247	33,640
TPSCo.	-	396,973
Parent company	<u>20,828</u>	<u>36,060</u>
	<u>\$ 747,717</u>	<u>\$ 466,673</u>
11) Other payables		
Associate	\$ 241,319	\$ 53,075
Parent company	48,200	20,466
Related party in substance	<u>137,410</u>	<u>185,529</u>
	<u>\$ 426,929</u>	<u>\$ 259,070</u>
12) Guarantee deposits		
Parent company	\$ 545	\$ 545
Related party in substance		
Nyquest	<u>250,594</u>	<u>225,869</u>
	<u>\$ 251,139</u>	<u>\$ 226,414</u>

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

13) Acquisition of property, plant and equipment

	Acquisition Price	
	For the Year Ended December 31	
	2022	2021
Related party in substance		
Waltech	\$ 31,725	\$ -
Associate		
TPSCo.	<u>112,128</u>	<u>-</u>
	<u>\$ 143,853</u>	<u>\$ -</u>

14) Disposal of property, plant and equipment

	<u>Proceeds</u>		<u>Gain (Loss) on Disposal</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Related party in substance				
Waltech	\$ -	\$ 886,862	\$ -	\$ 144,679
TPSCo.	-	150	-	117
Associate				
TPSCo.	<u>72,749</u>	<u>-</u>	<u>155</u>	<u>-</u>
	<u>\$ 72,749</u>	<u>\$ 887,012</u>	<u>\$ 155</u>	<u>\$ 144,796</u>

The price of above transaction were determined to base on the acquisition cost of the equipment and reference to the recent quoted market price.

Please refer to Note 32 (d) to the consolidated financial statements for details of finance lease contracts.

15) Disposal of intangible assets

Related Party Category	<u>Proceeds</u>		<u>Gain (Loss) on Disposal</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associate				
TPSCo.	<u>\$ 204,873</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ -</u>

The price of above transaction was determined to base on the acquisition cost of the equipment and reference to the recent quoted market price.

Please refer to Note 32 (d) to the consolidated financial statements for details of finance lease contracts.

c. Lease arrangements - Group is lessee

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
1) Lease liabilities		
Parent company	\$ 24,245	\$ 36,172
Related party in substance	-	11,316
Associate	<u>32,131</u>	<u>-</u>
	<u>\$ 56,376</u>	<u>\$ 47,488</u>

For the Year Ended December 31

2) Finance costs

	2022	2021
Parent company	\$ 312	\$ 441
Related party in substance	84	264
Associate	<u>563</u>	<u>122</u>
	<u>\$ 959</u>	<u>\$ 827</u>

d. Lease arrangements - Group is lessor/sublease arrangements

Sublease arrangements under operating leases

For the years ended December 31, 2022 and 2021, the Group subleases its right-of-use assets to its associate companies WEC, WEHK and TPSCo. under operating leases with lease terms between 1 and 12 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly.

1) The balance of operating lease receivables was as follows:

	December 31	
Related Party Category	2022	2021
Associate		
TPSCo.	\$ 19,770	\$ -
Others	230	237
Related party in substance		
TPSCo.	-	20,459
Parent company	<u>340</u>	<u>67</u>
	<u>\$ 20,340</u>	<u>\$ 20,763</u>

2) Future lease payment receivables are as follows:

	December 31	
Related Party Category	2022	2021
Associate		
TPSCo.	\$ 1,402,999	\$ -
Others	1,830	1,296
Related party in substance		
TPSCo.	-	1,607,021
Parent company	<u>12,151</u>	<u>4,369</u>
	<u>\$ 1,416,980</u>	<u>\$ 1,612,686</u>

3) Lease income were as follows:

Related Party Category	For the Year Ended December 31	
	2022	2021
Associate		
TPSCo.	\$ 155,271	\$ -
Others	1,395	3,133
Related party in substance		
TPSCo.	55,912	237,011
Parent company	<u>4,041</u>	<u>4,198</u>
	<u>\$ 216,619</u>	<u>\$ 244,342</u>

Lease arrangements under finance leases

The Group leased out equipment and intangible assets to its associate company - TPSCo. under finance leases with lease term of 3 years from the second quarter of 2022. The net investment in leases was NT\$277,390 thousand at the inception of the lease and the contract has average implicit interest rate of approximately 1.85% per annum. The rental is based on similar asset's market rental rates and the fixed lease payments JPY107,719 thousand are received quarterly.

As of December 31, 2022, the balance of finance lease receivables was NT\$220,182 thousand and no impairment loss was recognized for the year ended December 31, 2022. There was also no gain (loss) on the disposal of equipment and intangible assets. The amount of interest income under finance leases for the year ended December 31, 2022 was NT\$3,552 thousand.

e. Disposal of right-of-use assets

In June 2022, the Group transferred lease agreement of machinery equipment originally recorded as a right-of-use asset to TPSCo. and generated lease modification benefit approximately NT\$178,623 thousand. The Group recognized a deferred lease modification benefit NT\$87,526 thousand based on its 49% shareholding ratio and will be recognized in accordance with the remaining term of the contract.

f. Acquisition of financial assets

December 31, 2022

Related Party Category	Project	Number of Shares	Target	Amount Obtained
Associate				
TPSCo.	Investments accounted for using equity method	30,919	TPSCo. Ordinary share	<u>\$ 358,772</u>

g. Endorsements and guarantees

Endorsements and guarantees provided by the Group

The chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 15 to the consolidated financial statements.

Endorsements and guarantees given by related parties

Related Party Category	December 31	
	2022	2021
Parent company		
Amount endorsed	\$ 6,972,000	\$ 11,080,076
Amount utilized (reported as secured bank loans)	\$ 952,840	\$ -

h. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 308,890	\$ 198,754
Post-employment benefits	3,623	3,479
	<u>\$ 312,513</u>	<u>\$ 202,233</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

i. Other transactions with related parties

On November 1, 2021, the Group sold 100% shares of METC to the parent company at the price JPY1,462,000 thousand (NT\$357,897 thousand). Since the equity transfer is a reorganization under the jointly controlled entities, the difference between consideration received and the carrying amount of the net assets of METC during actual disposal was adjusted to increase the capital surplus by NT\$190,237 thousand.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for land leases, customs tariff obligations and bank borrowings:

	December 31	
	2022	2021
Land	\$ 1,104,321	\$ 1,142,811
Buildings	612,959	702,062
Investment properties	381,219	425,606
Time deposits (accounted as refundable deposits)	<u>107,227</u>	<u>107,168</u>
	<u>\$ 2,205,726</u>	<u>\$ 2,377,647</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Group as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

N Company filed a complaint in the U.S. District Court for the District of Delaware on November 24, 2021. The plaintiff alleged that NTCA (not including NTC) infringes one of its patents. N Company applied to withdraw the complaint in February 2022, accordingly, the case was closed.

35. OTHER ITEMS

The novel coronavirus (Covid-19) spreads all over the world, causing subsidiaries, customers and suppliers in some regions to implement quarantine and travel restrictions. The Group evaluated that there is no significant impact on the overall business operation and financial position of the Group. There are no concerns about the capability of the Group to be going concern, and the risk of assets impairment and fund raising.

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2023, the Group sold 100% shares of AMTC to the parent company at the price JPY 1,673,000 thousand (NT\$394,661 thousand). Since this equity transaction is deemed as a structure reorganization, the difference between consideration received and the carrying amount of the net assets of AMTC during actual disposal was adjusted to increase the capital surplus.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the entities in the Group and the related exchange rates between foreign currencies and respective functional currency were as follows:

	December 31					
	2022			2021		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>						
Monetary items						
USD	\$ 182,038	30.71	\$ 5,590,375	\$ 99,078	27.68	\$ 2,742,470
ILS	9,720	8.7301	84,860	9,584	8.8912	85,210
RMB	5,675	4.4080	25,014	4,100	4.344	17,810
JPY	267,375	0.2324	62,138	561,081	0.2405	134,940
<u>Financial liabilities</u>						
Monetary items						
USD	142,250	30.71	4,368,483	121,847	27.68	3,372,723
ILS	10,532	8.7301	91,949	20,700	8.8912	184,048
RMB	6,602	4.4080	29,102	4,212	4.344	18,296
JPY	56,304	0.2324	13,085	1,516,111	0.2405	278,045

Note: The rate foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were NT\$143,614 thousand and NT\$(24,204) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

38. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) General IC product segment

The general IC product segment engages mainly in research, design, manufacturing, sale and after-sales service.

b) Foundry service segment

The foundry service segment engages mainly in research, design, manufacturing and sale.

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
General IC products	\$ 36,745,221	\$ 35,610,810	\$ 5,722,355	\$ 4,953,725
Foundry service	3,368,080	2,515,484	1,863,466	1,140,994
Total of segment revenue	40,113,301	38,126,294	7,585,821	6,094,719
Other revenue	1,759,125	3,329,663	1,103,362	1,552,407
Operating revenue	<u>\$ 41,872,426</u>	<u>\$ 41,455,957</u>	8,689,183	7,647,126
Unallocated expenditure				
Administrative and supporting expenses			(2,749,443)	(2,884,137)
Sales and other common expenses			(1,461,831)	(1,435,846)
Total operating profit			4,477,909	3,327,143
Finance costs			(35,230)	(68,915)
Interest income			89,583	30,007
Dividend income			80,422	67,845
Other gains and losses			50,404	62,617
Gains (losses) on disposal of property, plant and equipment			304,132	134,893
Foreign exchange gains (losses)			143,614	(24,204)
Gains (losses) on financial instruments at fair value through profit or loss			(130,675)	16,110
Share of profit (loss) of associates			<u>126,861</u>	<u>-</u>
Profit before income tax			<u>\$ 5,107,020</u>	<u>\$ 3,545,496</u>

c. Geographical information

The Group operates in three principal geographical area - Asia, the United States and Europe.

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Asia	\$ 40,737,361	\$ 40,841,489	\$ 9,059,215	\$ 9,415,636
United States	624,117	388,106	73,417	23,722
Europe	499,827	225,502	-	-
Others	<u>11,111</u>	<u>860</u>	<u>-</u>	<u>-</u>
	<u>\$ 41,872,426</u>	<u>\$ 41,455,957</u>	<u>\$ 9,132,632</u>	<u>\$ 9,439,358</u>

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer S	\$ 13,740,477	33	\$ 13,524,520	33
Customer V	<u>5,684,588</u>	<u>14</u>	<u>5,045,639</u>	<u>12</u>
	<u>\$ 19,425,065</u>	<u>47</u>	<u>\$ 18,570,159</u>	<u>45</u>

39. ADDITIONAL DISCLOSURE

Transactions between Nuvoton Technology Corporation and subsidiaries are all eliminated when preparing the consolidated financial statements.

a. Following are the additional disclosures for material transactions and investments:

1)	Financings provided	None
2)	Endorsements/guarantees provided	Table 1
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4)	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	Table 3
5)	Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital	None
6)	Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital	None
7)	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital	Table 4
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 5
9)	Information about the derivative financial instruments transaction	Note 7
10)	Intercompany relationships and Significant intercompany transactions	Table 8
11)	Information on investments	Table 6

b. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 7
2)	Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports. a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. c) The amount of property transactions and the amount of the resultant gains or losses. d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds. f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.	Table 7

c. Information of major shareholders: Refer to Table 9 attached.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount (In Thousands of Foreign Currencies)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	The Company	NTCJ	Subsidiary	\$ 17,565,938	\$ 2,080,810 (JPY 5,650,000) and (US\$ 25,000)	\$ 2,080,810 (JPY 5,650,000) and (US\$ 25,000)	\$ 659,040 (JPY 287,980) and (US\$ 19,281)	\$ -	11.85	\$ 17,565,938	Y	N	N

Note 1: The Company's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of the Company or the net value of the endorsee company, whichever is lower. The Company's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 2: The ending balance is approved by the boards of directors of the Company.

Note 3: The Company's maximum amount endorsed are based on the net equity in the latest financial statements of the Company.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Financial assets at fair value through other comprehensive income	575,000	\$ 9,844	5	\$ 9,844	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	919	-	919	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	492,800	4	492,800	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	614,200	9	614,200	
	<u>Warrants</u> Autotalks Ltd.	None	Financial assets at fair value through other comprehensive income	-	76,775	-	76,775	
	Allxon Inc.	None	"	-	45,000	-	45,000	
	SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Financial assets at fair value through other comprehensive income	1,650,000	116,985	5	116,985
NTCJ	<u>Shares</u> Symetrix Corporation	None	"	50,268	-	1	-	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	April 1, 2022 (Note)		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
NTCJ	TPSCo.	Investments accounted for using equity method	TPSCo.	The Company's parent	14,700	\$ 1,289,679	30,919	\$ 358,772	-	\$ -	\$ -	Share of profit (loss) \$ 126,861 Cumulative transition differences 3,326 Unrealized profits and losses on transactions with associates (67,769)	45,619	\$ 1,710,869

Note: Under the business acquisition agreement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on its ownership share. Thus, the Group has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the Group has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.

THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	NTHK	Subsidiary	Sales	\$ 8,079,378	41	Net 90 days from invoice date	N/A	N/A	\$ 141,110	12	
	NTCA	Subsidiary	Sales	262,269	1	Net 90 days from invoice date	N/A	N/A	108,679	9	
	WEC	Parent company	Purchases	173,354	2	Net 30 days from invoice date	N/A	N/A	(20,828)	1	
	WECJ	Associate	Sales	149,214	1	Net 90 days from invoice date	N/A	N/A	33,052	3	
	Nyquest	Related party in substance	Sales	229,401	1	Net 45 days from invoice date	N/A	N/A	15,704	1	
	NTSG	Subsidiary	Purchases	335,654	4	Net 15 days end of the month	N/A	N/A	(84,359)	5	
	NTCJ	Subsidiary	Purchases	1,961,416	24	Net 15 days end of the month	N/A	N/A	(158,632)	10	
	Waltech	Related party in substance	Purchases	1,045,764	13	Net 15 days end of the month	N/A	N/A	(448,177)	28	
NTCA	The Company	Parent company	Purchases	US\$ 8,744	100	Net 90 days from invoice date	N/A	N/A	US\$ (3,539)	100	
NTCJ	The Company	Parent company	Sales	US\$ 65,019	8	Net 15 days end of the month	N/A	N/A	US\$ 5,165	5	
NTHK	The Company	Parent company	Purchases	US\$ 271,014	100	Net 90 days from invoice date	N/A	N/A	US\$ (4,595)	100	
NTSG	The Company	Parent company	Sales	US\$ 10,791	3	Net 15 days end of the month	N/A	N/A	US\$ 2,741	9	
		NTCJ	Fellow subsidiary	Sales	US\$ 141,550	45	Net 10 days end of the month	N/A	N/A	US\$ 16,902	56
NTCJ	NTSG	Fellow subsidiary	Purchases	JPY 19,356,022	37	Net 10 days end of the month	N/A	N/A	JPY (2,233,479)	25	
		Fellow subsidiary	Sales	JPY 26,308,826	26	Net 10 days end of the month	N/A	N/A	JPY 1,871,831	14	
NTSG	NTCJ	Fellow subsidiary	Purchases	US\$ 202,508	69	Net 10 days end of the month	N/A	N/A	US\$ (14,165)	71	
NTCJ	TPSCo	Associate	Purchases	JPY 20,139,308	39	Net 10 days end of the month	N/A	N/A	JPY (1,087,101)	12	
		Waltech	Related party in substance	Sales	JPY 13,025,750	13	Net 10 days end of the month	N/A	N/A	JPY 2,864,430	21
NTSG	Waltech	Related party in substance	Sales	US\$ 7,786	3	Net 10 days end of the month	N/A	N/A	US\$ 619	2	
AMTC	TPSCo	Associate	Sales	JPY 1,305,035	50	Net 10 days end of the month	N/A	N/A	JPY 138,201	62	

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	NTHK	Subsidiary	\$ 141,110 (Note)	91.16	\$ -	-	\$ 141,110	\$ -
	NTCA	Subsidiary	108,679 (Note)	3.49	-	-	108,679	-
NTSG	NTCJ	Fellow subsidiary	US\$ 16,902 (Note)	9.69	-	-	US\$ 16,902	-
NTCJ	NTSG	Fellow subsidiary	JPY 1,871,831 (Note)	14.11	-	-	JPY 1,871,831	-
	The Company	Parent company	US\$ 5,165 (Note)	17.08	-	-	JPY 5,165	-
	Waltech.	Related party in substance	JPY 2,864,430	4.91	-	-	JPY 2,864,430	-

Note: All receivables balances are eliminated.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2022

(TRANSACTIONS BETWEEN NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES ARE ALL ELIMINATED WHEN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS.

THE FOLLOWING DISCLOSURE INFORMATION IS ONLY FOR REFERENCE.)

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	NTHK	Hong Kong	Sales of semiconductor	\$ 427,092	\$ 427,092	107,400,000	100	\$ 611,146	\$ 66,834	\$ 66,834	
	MML	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100	285,197	(17,224)	(17,224)	
	NIH	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100	368,652	(17,278)	(17,278)	
	SYI	Taiwan	Investment holding	38,500	38,500	3,850,000	100	147,758	14,445	14,445	
	NTIPL	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100	21,647	1,186	1,186	
	NTCA	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100	210,632	10,280	10,280	
	NTSG	Singapore	Design, sales and service of semiconductor	1,319,054	1,319,054	45,100,000	100	1,959,771	168,131	168,131	
	NTKL	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100	12,708	907	907	
	NTHJ	Japan	Investment holding	5,927,849	5,927,849	100	100	7,567,843	1,352,222	1,352,222	
	MML	GLLC	United States of America	Investment holding	1,473,559	1,473,559	-	100	285,197	(16,951)	(16,951)
NIH	NTIL	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	294,012	(3,737)	(3,737)	
NTHJ	NTCJ	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100	11,402,133	1,352,086	1,352,086	
NTCJ	AMTC.	Japan	Design and service of semiconductor	55,760	55,760	4,000	100	233,534	91,737	91,737	
	TPSCo.	Japan	Foundry and sales of semiconductor	1,648,451	-	45,619	49	1,710,869	493,050	126,861	(Notes 1 and 2)

Note 1: Share of profit (loss) includes downstream and upstream transactions and the amortization cost of the difference between the original investment amount and equity.

Note 2: Under the business acquisition agreement, if TPSCo. turns net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, the Group is required to pay Panasonic Corporation the net profit based on its ownership share. Thus, the Group has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the Group has been released the restriction and has significant influence over TPSCo., accordingly, TPSCo. has been accounted for under equity method. Share of profit (loss) was recognized as from April 2022 for the period.

Note 3: Refer to Table 7 for information on investment in mainland China.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and U.S. Dollars)**

1. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
NTSH	Provide project of sale in China and repairing, testing and consulting of software and leasing business	\$ 68,036 (US\$ 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	\$ 68,036 (US\$ 2,000)	\$ -	\$ -	\$ 68,036 (US\$ 2,000)	100	\$ (16,630)	\$ (16,630)	\$ 287,961	\$ -
WENJ	Computer software service (except I.C. design)	16,429 (US\$ 500)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	16,429 (US\$ 500)	-	-	16,429 (US\$ 500)	100	-	-	(3,038) (Note 2)	-
NTSZ	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (US\$ 6,000)	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 (US\$ 6,000)	-	-	197,670 (US\$ 6,000)	100	4,749	4,749	228,552	-
Song Zhi (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (RMB 2,000)	Through investing in NTSH in the third area, which then invested in the investee in mainland China indirectly	- (Note 3)	-	-	-	100	(16)	(16)	8,207	-

Note 1: Investment profit or loss for the year ended December 31, 2022 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2022, which is reclassified to other non-current liabilities.

Note 3: NTSH directly injected the capital in Song Zhi (Suzhou).

2. Information on any investee company in mainland China, main businesses and products, paid-in capital, method of investment, limit on investment in mainland China:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
The Company	NT\$282,135 (US\$8,500)	NT\$282,135 (US\$8,500)	NT\$10,539,562

Note 4: Upper limit on the amount of 60% of the Company's net book value.

3. Refer to Table 8 for significant transactions with the investee in mainland China directly and indirectly through investing in companies in the third area.
4. Handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area: None.
5. Financing of funds to investee in mainland China directly and indirectly through investing in companies in the third area: None.
6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms (Note)	
0	<u>2022</u> The Company	NTHK	Transactions between parent company and subsidiaries	Operating revenue	\$ 8,079,378	-	19
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	141,110	-	-
		NTIL	Transactions between parent company and subsidiaries	Operating expense	1,136,241	-	3
		NTCA	Transactions between parent company and subsidiaries	Operating expense	417,532	-	1
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	262,269	-	1
		NTCA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	108,679	-	-
		NTCJ	Transactions between parent company and subsidiaries	Accounts payable to related parties	158,632	-	-
		NTCJ	Transactions between parent company and subsidiaries	Operating cost	1,961,416	-	5
		NTSG	Transactions between parent company and subsidiaries	Operating cost	335,654	-	1
1	NTCJ	NTSG	Transactions between subsidiaries	Operating revenue	JPY 26,308,826	-	14
		NTSG	Transactions between subsidiaries	Accounts receivable due from related parties	JPY 1,871,831	-	1
2	NTSG	NTCJ	Transactions between subsidiaries	Operating revenue	US\$ 141,550	-	10
		NTCJ	Transactions between subsidiaries	Accounts receivable due from related parties	US\$ 16,902	-	1
4	AMTC	NTCJ	Transactions between subsidiaries	Other operating revenue	JPY 1,489,444	-	1

Note 1: There is no significant difference between the sales conditions of parent-subsidary sales and general sales, and the rest of the transactions have no similar transactions to follow, thus the transactions between the two parties are based on the agreement.

Note 2: Significant intercompany transactions refers to transactions amounted to \$100 million.

TABLE 9**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Winbond Electronics Corporation	214,954,635	51.21

Note 1: Table 9 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Note 2: As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.