

# **Nuvoton Technology Corporation**

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Nuvoton Technology Corporation

### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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 Financial Statements section of our report. We are independent of the Company 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 Matters

Key audit matter is this matter that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. This matter were addressed in the context of our audit of the 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 hold certain percentage of annual sales, which has an 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 financial statements for the Company'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 sales transactions have indeed occurred.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters 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 'Kenny Hong' and the second is 'Shu-Lin Liu'. The signatures are written in a cursive, flowing style.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 14, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

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

# NUVOTON TECHNOLOGY CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,352,657	28	\$ 7,519,937	31
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	169	-	1,631	-
Accounts receivable, net (Notes 4 and 8)	833,452	3	1,055,505	4
Accounts receivable from related parties, net (Notes 4, 8 and 26)	298,581	1	152,839	1
Other receivables (Note 26)	55,659	-	85,846	-
Inventories (Notes 4 and 9)	3,132,051	12	2,616,503	11
Other current assets	<u>328,329</u>	<u>2</u>	<u>206,552</u>	<u>1</u>
Total current assets	<u>12,000,898</u>	<u>46</u>	<u>11,638,813</u>	<u>48</u>
<b>NON-CURRENT ASSETS</b>				
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 10)	1,117,763	4	1,164,773	5
Investments accounted for using equity method (Notes 4 and 11)	11,185,353	43	9,633,744	40
Property, plant and equipment (Notes 4 and 12)	634,009	2	637,113	3
Right-of-use assets (Notes 4 and 13)	177,648	1	233,357	1
Intangible assets (Notes 4 and 14)	575,887	2	645,692	3
Deferred tax assets (Notes 4 and 21)	137,000	1	45,000	-
Refundable deposits (Notes 26 and 27)	<u>314,895</u>	<u>1</u>	<u>112,162</u>	<u>-</u>
Total non-current assets	<u>14,264,330</u>	<u>54</u>	<u>12,541,041</u>	<u>52</u>
<b>TOTAL</b>	<u>\$ 26,265,228</u>	<u>100</u>	<u>\$ 24,179,854</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ 6,017	-	\$ -	-
Accounts payable	872,141	3	1,469,214	6
Accounts payable to related parties (Note 26)	711,978	3	126,695	1
Other payables (Notes 17 and 26)	2,086,602	8	2,432,704	10
Current tax liabilities (Notes 4 and 21)	456,801	2	354,332	1
Lease liabilities - current (Notes 4 and 13)	38,766	-	53,407	-
Current portion of long-term borrowings (Note 16)	71,429	-	-	-
Other current liabilities	<u>248,301</u>	<u>1</u>	<u>191,106</u>	<u>1</u>
Total current liabilities	<u>4,492,035</u>	<u>17</u>	<u>4,627,458</u>	<u>19</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	1,428,571	5	1,500,000	6
Products guarantee based on commitment (Note 4)	101,891	-	101,891	1
Lease liabilities - non-current (Notes 4 and 13)	115,528	1	151,966	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	236,488	1	313,018	1
Guarantee deposits (Notes 4, 19 and 26)	2,311,351	9	1,917,405	8
Other non-current liabilities	<u>13,426</u>	<u>-</u>	<u>13,426</u>	<u>-</u>
Total non-current liabilities	<u>4,207,255</u>	<u>16</u>	<u>3,997,706</u>	<u>17</u>
Total liabilities	<u>8,699,290</u>	<u>33</u>	<u>8,625,164</u>	<u>36</u>
<b>EQUITY</b>				
Share capital (Note 20)	4,197,653	16	4,172,101	17
Certificates of bond-to-stock conversion (Note 20)	-	-	25,552	-
Capital surplus (Note 20)	6,871,827	26	6,871,811	28
Retained earnings (Note 20)				
Legal reserve	958,560	4	655,515	3
Unappropriated earnings	6,248,877	24	3,763,192	15
Exchange differences on translation of financial statements of foreign operations (Notes 4 and 20)	(1,005,611)	(4)	(1,044,941)	(4)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 20)	<u>294,632</u>	<u>1</u>	<u>1,111,460</u>	<u>5</u>
Total equity	<u>17,565,938</u>	<u>67</u>	<u>15,554,690</u>	<u>64</u>
<b>TOTAL</b>	<u>\$ 26,265,228</u>	<u>100</u>	<u>\$ 24,179,854</u>	<u>100</u>

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

# NUVOTON TECHNOLOGY CORPORATION

## 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 4 and 26)	\$ 19,520,219	100	\$ 14,601,031	100
OPERATING COST (Notes 9 and 26)	<u>11,518,107</u>	<u>59</u>	<u>7,792,791</u>	<u>54</u>
GROSS PROFIT	<u>8,002,112</u>	<u>41</u>	<u>6,808,240</u>	<u>46</u>
OPERATING EXPENSES (Notes 22 and 26)				
Selling expenses	243,187	1	201,433	1
General and administrative expenses	847,873	4	663,902	5
Research and development expenses	3,948,546	20	3,346,321	23
Expected credit loss (gains)	<u>(5,089)</u>	<u>-</u>	<u>6,147</u>	<u>-</u>
Total operating expenses	<u>5,034,517</u>	<u>25</u>	<u>4,217,803</u>	<u>29</u>
PROFIT FROM OPERATIONS	<u>2,967,595</u>	<u>16</u>	<u>2,590,437</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Finance costs	(18,499)	-	(24,870)	-
Share of (loss) profit of subsidiaries and associates accounted for using equity method	1,579,503	8	691,264	5
Interest income	74,629	1	10,748	-
Dividend income	67,222	-	62,070	-
Other gains and losses	18,679	-	(47,456)	-
Gains (losses) on disposal of property, plant and equipment	6,906	-	95	-
Foreign exchange gains (losses)	183,340	1	(8,646)	-
Gains (losses) on financial assets at fair value through profit or loss	<u>(133,064)</u>	<u>(1)</u>	<u>16,110</u>	<u>-</u>
Total non-operating income and expenses	<u>1,778,716</u>	<u>9</u>	<u>699,315</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	4,746,311	25	3,289,752	22
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(525,538)</u>	<u>(3)</u>	<u>(349,000)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>4,220,773</u>	<u>22</u>	<u>2,940,752</u>	<u>20</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## 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)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	\$ 73,185	-	\$ (30,313)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(46,010)	-	188,301	1
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(177,220)	(1)	774,107	5
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>(6)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(110,715)</u>	<u>(1)</u>	<u>15,506</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,110,058</u>	<u>21</u>	<u>\$ 2,956,258</u>	<u>20</u>
EARNINGS PER SHARE (Notes 4 and 23)				
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 financial statements.

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION

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

	Ordinary Share	Certificates of Bond-to-Stock Conversion	Capital Surplus	Retained Earnings		Other Equity		Total Equity
				Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	
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 20)	-	-	-	58,610	(58,610)	-	-	-
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
Adjustments to share of changes in equities of associates	-	-	190,237	-	-	-	-	190,237
Convertible bonds converted to ordinary shares (Note 20)	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 (Note 20)	-	-	-	-	138,095	-	(138,095)	-
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 20)	-	-	-	303,045	(303,045)	-	-	-
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 20)	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 (Note 20)	-	-	-	-	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 financial statements.



# NUVOTON TECHNOLOGY CORPORATION

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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 4,746,311	\$ 3,289,752
Adjustments for:		
Depreciation expense	228,173	236,575
Amortization expense	236,293	192,134
Expected credit loss (gain) recognized on accounts receivable	(5,089)	6,147
Finance costs	18,499	24,870
Interest income	(74,629)	(10,748)
Dividend income	(67,222)	(62,070)
Share of profit (loss) of subsidiaries and associates accounted for using equity method	(1,579,503)	(691,264)
Unrealized gain (loss)	(3,753)	9,133
(Gains) losses on disposal of property, plant and equipment	(6,906)	(95)
Gain on lease modification	(9)	-
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(96)	(7,627)
(Increase) decrease in accounts receivable	144,081	(261,621)
(Increase) decrease in accounts receivable from related parties	(145,742)	(46,522)
(Increase) decrease in other receivables	(19,013)	(45,945)
(Increase) decrease in inventories	(515,548)	(723,828)
(Increase) decrease in other current assets	(121,777)	(112,948)
Increase (decrease) in accounts payable	(597,073)	132,989
Increase (decrease) in accounts payable to related parties	585,283	87,195
Increase (decrease) in other payables	(19,554)	676,823
Increase (decrease) in provisions	-	(316,438)
Increase (decrease) in other current liabilities	(121,186)	(9,252)
Increase (decrease) in net defined benefit liabilities	(3,345)	(2,280)
Cash flows generated by (used in) operations	<u>2,678,195</u>	<u>2,364,980</u>
Income tax paid	(463,578)	(136,018)
Interest paid	(18,344)	(17,666)
Interest received	72,338	7,999
Dividend received	<u>67,222</u>	<u>62,070</u>
Net cash flows generated from (used in) operating activities	<u>2,335,833</u>	<u>2,281,365</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	-	(144,389)
Dividends received from investments accounted for using equity method	5,262	2,918
Decrease in payable for investment	(362,643)	-
Acquisition of property, plant and equipment	(161,571)	(141,298)

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# NUVOTON TECHNOLOGY CORPORATION

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

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	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 13,866	\$ 95
Acquisition of intangible assets	(254,708)	(155,147)
(Increase) decrease in refundable deposits paid	<u>(202,733)</u>	<u>528,989</u>
Net cash flows generated from (used in) investing activities	<u>(1,006,527)</u>	<u>25,905</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from guarantee deposits received	655,388	1,902,861
Repayments of the principal portion of lease liabilities	(53,148)	(56,063)
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>(1,496,586)</u>	<u>1,535,065</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(167,280)	3,842,335
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,519,937</u>	<u>3,677,602</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,352,657</u>	<u>\$ 7,519,937</u>

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

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION

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

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### 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 financial statements were approved by the 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), IFRIC Interpretations (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 material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

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

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. 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.

## **Foreign Currencies**

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

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

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 financial statements, the assets and liabilities of the Company'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 Company 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 FVTOCI 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 25 to the 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 the gross carrying amount determined using 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

### 3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI 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 FVTOCI are subsequently 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, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company'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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Company always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Company 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 Company 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 Company 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 Company 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 Company 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 Company similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

## **Investments Accounted for Using Equity Method**

### Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (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 Company's net investment in the subsidiary), the Company continues recognizing its share of further loss.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

### **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.

### **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 Tangible and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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 Company will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

### **Guarantee Deposit**

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

### **Revenue Recognition**

The Company 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 Company assesses whether the contract is, or contains, a lease.

#### **a. The Company 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 Company 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 Company, 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 Company'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 Company as lessee

The Company 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 Company 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 Company 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 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 Company'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.

### **Share-based Payment Arrangements**

Cash-settled share-based payment is a liability in which the entity receives goods or services and the fair value of the amount payable is initially measured at cost. The amount is rereasured at each reporting date and at settlement based on the fair value. Any changes in the liabilities are recognized in profit or loss, with a corresponding adjustment to capital surplus - employee share options.

### **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 financial statements and the corresponding tax bases used in the computation of taxable profit and it is rereasured 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, 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.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash in bank	\$ 7,302,657	\$ 7,044,937
Repurchase agreements collateralized by bonds	<u>50,000</u>	<u>475,000</u>
	<u>\$ 7,352,657</u>	<u>\$ 7,519,937</u>

Please refer to Note 27 to the financial statements for the amount of refundable deposits pledged to secure land leases, customs tariff obligations and borrowings.

## 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>\$ 169</u>	<u>\$ 1,631</u>
<u>Financial assets - non-current</u>		
Mandatorily measures at FVTPL		
Foreign warrants	<u>\$ 121,775</u>	<u>\$ 69,200</u>
<u>Financial liabilities - current</u>		
Held for trading		
Foreign exchange forward contracts	<u>\$ 6,017</u>	<u>\$ -</u>

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

	<b>Currencies</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2022</u>			
Sell forward exchange contracts	USD/NTD	2023.01.06-2023.03.03	USD30,000/NTD915,452
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD/NTD	2022.01.06-2022.01.27	USD18,000/NTD499,871

The Company entered into 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 Company did not apply hedge accounting treatment.

## 8. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,151,119	\$ 1,232,519
Less: Allowance for impairment loss	<u>(19,086)</u>	<u>(24,175)</u>
	<u>\$ 1,132,033</u>	<u>\$ 1,208,344</u>

The average credit period of sales of goods was 30-60 days. No interest was charged on trade receivables. The Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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 Company annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company 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 Company's credit risk was significantly reduced.

The Company 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 Company'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 Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company 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 trade receivables (including related parties) based on the Company'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	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 1,123,692	\$ 25,749	\$ 1,678	\$ -	\$ -	\$ 1,151,119
Loss allowance (lifetime ECL)	<u>(18,403)</u>	<u>(515)</u>	<u>(168)</u>	<u>-</u>	<u>-</u>	<u>(19,086)</u>
Amortized cost	<u>\$ 1,105,289</u>	<u>\$ 25,234</u>	<u>\$ 1,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132,033</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	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 1,210,149	\$ 22,370	\$ -	\$ -	\$ -	\$ 1,232,519
Loss allowance (lifetime ECL)	<u>(23,728)</u>	<u>(447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,175)</u>
Amortized cost	<u>\$ 1,186,421</u>	<u>\$ 21,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,344</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	\$ 24,175	\$ 18,028
Expected credit loss recognized (reversed)	<u>(5,089)</u>	<u>6,147</u>
Balance at December 31	<u>\$ 19,086</u>	<u>\$ 24,175</u>

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

**9. INVENTORIES**

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials and supplies	\$ 231,211	\$ 169,848
Work-in-process	2,151,861	1,529,944
Finished goods	748,712	903,303
Inventories in transit	<u>267</u>	<u>13,408</u>
	<u>\$ 3,132,051</u>	<u>\$ 2,616,503</u>



The operating cost for the years ended December 31, 2022 and 2021 was NT\$11,518,107 thousand and NT\$7,792,791 thousand, respectively. The inventory write-downs, obsolescence and disposal of inventories for the years ended December 31, 2022 and 2021 were NT\$196,152 thousand and NT\$5,656 thousand, respectively.

## 10. 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		
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	<u>614,200</u>	<u>553,600</u>
	<u>\$ 1,117,763</u>	<u>\$ 1,164,773</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 Company's strategy of holding these investments for long-term purposes.

The Company recognized dividends of NT\$67,222 thousand and NT\$62,070 thousand during 2022 and 2021, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Investments in subsidiaries	<u>\$ 11,185,353</u>	<u>\$ 9,633,744</u>

  

	<u>December 31</u>			
	<u>2022</u>		<u>2021</u>	
	Carrying Value	Percentage of Ownership	Carrying Value	Percentage of Ownership
<u>Non-listed companies</u>				
Marketplace Management Ltd. ("MML")	\$ 285,197	100	\$ 298,146	100
Nuvoton Technology Corporation America ("NTCA")	210,631	100	180,225	100
Nuvoton Investment Holding Ltd. ("NIH")	368,652	100	360,342	100
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	611,146	100	508,077	100
Song Yong Investment Corporation ("SYI")	147,758	100	277,340	100
Nuvoton Technology India Private Ltd. ("NTIPL")	21,647	100	20,532	100
Nuvoton Technology Holdings Japan ("NTHJ")	7,567,843	100	6,370,802	100
Nuvoton Technology Singapore Pte. Ltd. ("NTSG")	1,959,771	100	1,607,079	100
Nuvoton Technology Korea Limited ("NTKL")	<u>12,708</u>	100	<u>11,201</u>	100
	<u>\$ 11,185,353</u>		<u>\$ 9,633,744</u>	

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>				
	<b>2022</b>		<b>2021</b>		
Buildings	\$ 195,504		\$ 194,776		
Machinery and equipment	398,675		408,606		
Other equipment	27,370		28,601		
Construction in progress and prepayments for purchase of equipment	<u>12,460</u>		<u>5,130</u>		
	<u>\$ 634,009</u>		<u>\$ 637,113</u>		
			<b>Construction in Progress and Prepayments for Purchase of Equipment</b>		
	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2022	\$ 3,716,254	\$ 11,521,096	\$ 211,349	\$ 5,130	\$ 15,453,829
Additions	28,630	121,868	10,406	13,265	174,169
Disposals	(5,719)	(113,079)	(1,905)	-	(120,703)
Reclassified	-	5,723	212	(5,935)	-
Balance at December 31, 2022	<u>3,739,165</u>	<u>11,535,608</u>	<u>220,062</u>	<u>12,460</u>	<u>15,507,295</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	3,521,478	11,112,490	182,748	-	14,816,716
Disposals	(5,719)	(106,119)	(1,905)	-	(113,743)
Depreciation expense	27,902	130,565	11,846	-	170,313
Reclassified	-	(3)	3	-	-
Balance at December 31, 2022	<u>3,543,661</u>	<u>11,136,933</u>	<u>192,692</u>	<u>-</u>	<u>14,873,286</u>
Carrying amount at December 31, 2022	<u>\$ 195,504</u>	<u>\$ 398,675</u>	<u>\$ 27,370</u>	<u>\$ 12,460</u>	<u>\$ 634,009</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 3,698,880	\$ 11,444,709	\$ 202,659	\$ 527	\$ 15,346,775
Additions	15,439	114,987	8,690	6,058	145,174
Disposals	(1,160)	(36,960)	-	-	(38,120)
Reclassified	3,095	(1,640)	-	(1,455)	-
Balance at December 31, 2021	<u>3,716,254</u>	<u>11,521,096</u>	<u>211,349</u>	<u>5,130</u>	<u>15,453,829</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	3,495,335	11,012,013	170,066	-	14,677,414
Disposals	(1,160)	(36,960)	-	-	(38,120)
Depreciation expense	27,224	137,516	12,682	-	177,422
Reclassified	79	(79)	-	-	-
Balance at December 31, 2021	<u>3,521,478</u>	<u>11,112,490</u>	<u>182,748</u>	<u>-</u>	<u>14,816,716</u>
Carrying amount at December 31, 2021	<u>\$ 194,776</u>	<u>\$ 408,606</u>	<u>\$ 28,601</u>	<u>\$ 5,130</u>	<u>\$ 637,113</u>

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Land	\$ 150,211	\$ 173,211
Buildings	23,372	51,862
Other equipment	<u>4,065</u>	<u>8,284</u>
	<u>\$ 177,648</u>	<u>\$ 233,357</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 3,672</u>	<u>\$ -</u>
Depreciation for right-of-use assets		
Land	\$ 25,170	\$ 25,055
Buildings	27,815	28,612
Other equipment	<u>4,875</u>	<u>5,486</u>
	<u>\$ 57,860</u>	<u>\$ 59,153</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ 5,994</u>	<u>\$ 6,056</u>

#### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amounts</u>		
Current	<u>\$ 38,766</u>	<u>\$ 53,407</u>
Non-current	<u>\$ 115,528</u>	<u>\$ 151,966</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.76%-2.06%	1.76%-2.06%
Buildings	0.96%-1.61%	0.79%-1.61%
Other equipment	0.88%-1.09%	1.07%-1.09%

For the years ended December 31, 2022 and 2021, the interest expense under lease liabilities amounted to NT\$2,912 thousand and NT\$3,751 thousand, respectively.

#### c. Material lease-in activities and terms

The Company 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 Company leased parcel 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 the lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 26 to the financial statements).

The Company leased some of the offices part in Taiwan, and the lease terms will expire between 2022 and 2024 which can be extended after the expiration of the lease periods.

d. Subleases

The Company subleases its right-of-use assets for buildings under operating leases with lease terms between 3 to 5 years.

The analysis of lease payments receivable under operating subleases is as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Year 1	\$ 6,116	\$ 6,509
Year 2	5,427	2,140
Year 3	4,101	60
Year 4	-	-
Year 5	-	-
Year 6 onwards	<u>-</u>	<u>-</u>
	<u>\$ 15,644</u>	<u>\$ 8,709</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Company 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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 2,681</u>	<u>\$ 14,618</u>
Total cash outflow for leases	<u>\$ (58,814)</u>	<u>\$ (74,548)</u>

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

#### 14. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred technical assets	\$ 475,993	\$ 515,407
Other intangible assets	<u>99,894</u>	<u>130,285</u>
	<u>\$ 575,887</u>	<u>\$ 645,692</u>

	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ 1,681,185	\$ 167,772	\$ 1,848,957
Additions	<u>149,409</u>	<u>17,079</u>	<u>166,488</u>
Balance at December 31, 2022	<u>1,830,594</u>	<u>184,851</u>	<u>2,015,445</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	1,165,778	37,487	1,203,265
Amortization expense	<u>188,823</u>	<u>47,470</u>	<u>236,293</u>
Balance at December 31, 2022	<u>1,354,601</u>	<u>84,957</u>	<u>1,439,558</u>
Carrying amount at December 31, 2022	<u>\$ 475,993</u>	<u>\$ 99,894</u>	<u>\$ 575,887</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,476,718	\$ 96,272	\$ 1,572,990
Additions	<u>204,467</u>	<u>71,500</u>	<u>275,967</u>
Balance at December 31, 2021	<u>1,681,185</u>	<u>167,772</u>	<u>1,848,957</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	999,966	11,165	1,011,131
Amortization expense	<u>165,812</u>	<u>26,322</u>	<u>192,134</u>
Balance at December 31, 2021	<u>1,165,778</u>	<u>37,487</u>	<u>1,203,265</u>
Carrying amount at December 31, 2021	<u>\$ 515,407</u>	<u>\$ 130,285</u>	<u>\$ 645,692</u>

## 15. BONDS PAYABLE

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

In May 2020, the Company issued 20 thousand units, \$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).

## 16. BORROWINGS

### 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 Company's unsecured loan was used to invest in Autotalks Ltd. and acquire Panasonic's semiconductor business in Japan.

## 17. OTHER PAYABLES

	December 31	
	2022	2021
Payable for salaries or employee benefits	\$ 1,040,620	\$ 1,019,626
Payable for royalties	416,519	473,483
Payable for subsidiaries service fees (Note 26)	118,145	195,387
Payable for software	103,817	61,983
Payable for purchase of equipment	72,731	60,133
Payable for investment	-	285,923
Others	<u>334,770</u>	<u>336,169</u>
	<u>\$ 2,086,602</u>	<u>\$ 2,432,704</u>

## 18. 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.

b. Defined benefit plans

The defined benefit plans 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 amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 937,625	\$ 990,835
Fair value of plan assets	<u>(701,137)</u>	<u>(677,817)</u>
Net defined benefit liabilities	<u>\$ 236,488</u>	<u>\$ 313,018</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Asset)</b>
Balance at January 1, 2021	<u>\$ 985,752</u>	<u>\$ (700,767)</u>	<u>\$ 284,985</u>
Service cost			
Current service cost	7,679	-	7,679
Net interest expense (income)	<u>3,833</u>	<u>(2,716)</u>	<u>1,117</u>
Recognized in profit or loss	<u>11,512</u>	<u>(2,716)</u>	<u>8,796</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	15,538	-	15,538
Actuarial (gain) loss - experience adjustments	<u>7,801</u>	<u>-</u>	<u>7,801</u>
Recognized in other comprehensive income	<u>40,216</u>	<u>(9,903)</u>	<u>30,313</u>
Contributions from the employer	-	(11,076)	(11,076)
Benefits paid	<u>(46,645)</u>	<u>46,645</u>	<u>-</u>
Balance at December 31, 2021	<u>990,835</u>	<u>(677,817)</u>	<u>313,018</u>
Service cost			
Current service cost	6,195	-	6,195
Net interest expense (income)	<u>6,739</u>	<u>(4,587)</u>	<u>2,152</u>
Recognized in profit or loss	<u>12,934</u>	<u>(4,587)</u>	<u>8,347</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Asset)</b>
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	(80,856)	-	(80,856)
Actuarial (gain) loss - experience adjustments	<u>60,967</u>	<u>-</u>	<u>60,967</u>
Recognized in other comprehensive income	<u>(19,889)</u>	<u>(53,296)</u>	<u>(73,185)</u>
Contributions from the employer	-	(11,692)	(11,692)
Benefits paid	<u>(46,255)</u>	<u>46,255</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 937,625</u>	<u>\$ (701,137)</u>	<u>\$ 236,488</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Analysis by function		
Operating cost	\$ 4,339	\$ 4,621
Selling expenses	122	101
General and administrative expenses	641	729
Research and development expenses	<u>3,245</u>	<u>3,345</u>
	<u>\$ 8,347</u>	<u>\$ 8,796</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets 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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)	1.8%	0.7%
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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)		
0.25% increase	<u>\$ (16,996)</u>	<u>\$ (19,979)</u>
0.25% decrease	<u>\$ 17,486</u>	<u>\$ 20,603</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 17,380</u>	<u>\$ 20,253</u>
0.25% decrease	<u>\$ (16,976)</u>	<u>\$ (19,744)</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.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	<u>\$ 12,807</u>	<u>\$ 11,298</u>
Average duration of the defined benefit obligation	7.5 years	8.2 years

## 19. GUARANTEE DEPOSITS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Capacity guarantee	\$ 2,294,914	\$ 1,879,725
Others	<u>16,437</u>	<u>37,680</u>
	<u>\$ 2,311,351</u>	<u>\$ 1,917,405</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.

## 20. 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 dividend 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 22 to the 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 appropriations 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 on 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 gains (losses) was NT\$39,330 thousand and NT\$(916,589) thousand, respectively.

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 1,111,460	\$ 269,065
Recognized for the year	(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.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 615,000	\$ 321,000
Adjustment for prior years' tax and effects of estimated difference	2,538	-
Deferred tax		
In respect of the current year	<u>(92,000)</u>	<u>28,000</u>
Income tax expense recognized in profit or loss	<u>\$ 525,538</u>	<u>\$ 349,000</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Income tax expense from continuing operations at the statutory rate	\$ 949,000	\$ 658,000
Tax effect of adjustment item		
Permanent differences	(13,000)	(12,000)
Others	<u>(305,000)</u>	<u>(169,000)</u>
Current income tax	631,000	477,000
Unused investment credits	(108,000)	(128,000)
Adjustment for prior year's income tax	<u>2,538</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 525,538</u>	<u>\$ 349,000</u>

c. Current tax liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Income tax payable	\$ 456,801	\$ 354,332

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	\$ 137,000	\$ 45,000

e. Income tax assessments

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

f. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 15% or 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.

## 22. 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	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Short-term employment benefits	\$ 1,052,760	\$ 2,017,543	\$ 3,070,303	\$ 917,626	\$ 1,782,812	\$ 2,700,438
Post-employment benefits	32,673	58,344	91,017	30,715	55,286	86,001
Remuneration to directors	-	58,958	58,958	-	37,984	37,984
Depreciation	134,398	93,775	228,173	138,453	98,122	236,575
Amortization	-	236,293	236,293	19,242	172,892	192,134

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 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 below:

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

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

### 23. EARNINGS PER SHARE

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

	<b>For the Year Ended December 31</b>					
	<b>2022</b>			<b>2021</b>		
	<b>Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)</b>	<b>Shares (Denominator) (In Thousands)</b>	<b>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)</b>	<b>Amounts (Numerator) After Income Tax (Attributable to Owners of the Company)</b>	<b>Shares (Denominator) (In Thousands)</b>	<b>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Company)</b>
Net profit for the year	\$ 4,220,773		\$ 2,940,752			
Basic earnings per share						
Net profit attributed to owners of the Company	4,220,773	419,765	\$ 10.06	2,940,752	404,370	\$ 7.27
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	\$ 4,220,773	422,594	\$ 9.99	\$ 2,946,608	421,394	\$ 6.99

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.

### 24. CAPITAL MANAGEMENT

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

## 25. FINANCIAL INSTRUMENT

### a. Categories of financial instruments

	December 31			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost (Note 1)	\$ 8,855,244	\$ 8,855,244	\$ 8,926,289	\$ 8,926,289
Financial assets at FVTPL				
Derivative financial assets	121,944	121,944	70,831	70,831
Financial assets at FVTOCI				
Investment in equity instruments	1,117,763	1,117,763	1,164,773	1,164,773
<u>Financial liabilities</u>				
Financial liabilities at amortized cost (Note 2)	7,482,072	7,482,072	7,446,018	7,446,018
Financial liabilities at FVTPL				
Derivative financial liabilities	6,017	6,017	-	-

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

Note 2: Including 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 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 emerging 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 NT\$8,651 thousand and NT\$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

Fair value hierarchy

	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 169	\$ 121,775	\$ 121,944
<u>Financial assets at FVTOCI</u>				
Domestic listed shares and emerging market shares	\$ 919	\$ -	\$ -	\$ 919
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 1,116,844	\$ 1,116,844
<u>Financial liabilities at FVTPL</u>				
Derivative financial liabilities	\$ -	\$ 6,017	\$ -	\$ 6,017
	<b>December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 1,631	\$ 69,200	\$ 70,831
<u>Financial assets at FVTOCI</u>				
Domestic listed shares and emerging market shares	\$ 1,933	\$ -	\$ -	\$ 1,933
Domestic and overseas unlisted shares	\$ -	\$ -	\$ 1,162,840	\$ 1,162,840



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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 1,232,040	\$ 980,079
Additions	45,000	69,763
Proceeds from capital reduction of investments	(1,000)	(4,500)
Recognized in other comprehensive income	(44,996)	187,261
Recognized in profit or loss	<u>7,575</u>	<u>(563)</u>
Balance at December 31	<u>\$ 1,238,619</u>	<u>\$ 1,232,040</u>

c. Financial risk management objectives and policies

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 30 to the 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\$5,609 thousand decrease and NT\$9,590 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 Company's interest rate risk arises primarily from floating rate deposits and long-term loans.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash flow interest rate risk		
Financial assets	\$ 5,713	\$ 5,713
Financial liabilities	1,500,000	1,500,000

The sensitivity analysis of cash flows based on the Company's exposure to interest rates of variable-rate non-derivative instruments at the end of the year showed that if market interest rates increased by 1%, the Company's cash outflows for the years ended December 31, 2022 and 2021 would have both increased by NT\$14,943 thousand.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company, to mitigate the risk of financial loss from defaults, The Company 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 Company consider that the Company's credit risk was significantly reduced.

## 3) Liquidity risk

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

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

	<b>December 31, 2022</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 3,670,721 40,646	\$ - 36,541	\$ - 82,607	\$ 3,670,721 159,794
Variable interest rate liabilities	<u>71,429</u>	<u>285,714</u>	<u>1,142,857</u>	<u>1,500,000</u>
	<u>\$ 3,782,796</u>	<u>\$ 322,255</u>	<u>\$ 1,225,464</u>	<u>\$ 5,330,515</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	<u>\$ 77,187</u>	<u>\$ 74,658</u>	<u>\$ 7,949</u>	<u>\$ 159,794</u>

	<b>December 31, 2021</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 4,028,613	\$ -	\$ -	\$ 4,028,613
Lease liabilities	56,303	41,086	117,515	214,904
Variable interest rate liabilities	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 4,084,916</u>	<u>\$ 41,086</u>	<u>\$ 1,617,515</u>	<u>\$ 5,743,517</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<u>Non-derivative financial liabilities</u>			
Lease liabilities	<u>\$ 97,389</u>	<u>\$ 85,895</u>	<u>\$ 31,620</u>	<u>\$ 214,904</u>

## 26. RELATED PARTY TRANSACTIONS

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

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Winbond Electronics Corporation (“WEC”)	Parent company
Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Subsidiary
Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Subsidiary
Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Subsidiary
Nuvoton Technology Corporation America (“NTCA”)	Subsidiary
Nuvoton Technology Israel Ltd. (“NTIL”)	Subsidiary
Song Yong Investment Corporation (“SYI”)	Subsidiary
Nuvoton Technology India Private Limited (“NTIPL”)	Subsidiary
Nuvoton Technology Corporation Japan (“NTCJ”)	Subsidiary
Nuvoton Technology Singapore Pte. Ltd. (NTSG)	Subsidiary
Atfields Manufacturing Technology Corp. (AMTC)	Subsidiary
Winbond Electronics Corporation Japan (“WECJ”)	Associate
Miraxia Edge Technology Corporation (METC)	Associate
Callisto Holding Limited	Associate
Glorystone Inc.	Related party in substance
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
Waltech Advanced Engineering (Suzhou), Inc. (“Waltech”)	Related party in substance

b. Operating activities

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
1) Operating revenue		
Subsidiary		
NTHK	\$ 8,079,378	\$ 5,223,300
Others	280,080	181,243
Related party in substance	229,477	264,475
Associate	<u>149,014</u>	<u>81,343</u>
	<u>\$ 8,738,149</u>	<u>\$ 5,750,361</u>
2) Purchases of goods		
Subsidiary		
NTCJ	\$ 1,961,416	\$ 292,813
Others	335,654	165
Parent company	173,354	368,505
Related party in substance		
Waltech	<u>1,045,764</u>	<u>20,287</u>
	<u>\$ 3,516,188</u>	<u>\$ 681,770</u>
3) Manufacturing expenses		
Parent company	\$ 1,088	\$ 671
Related party in substance	<u>-</u>	<u>12,193</u>
	<u>\$ 1,088</u>	<u>\$ 12,864</u>
4) Operating expenses		
Subsidiary		
NTIL	\$ 1,136,241	\$ 989,897
Others	457,673	293,676
Parent company	75,958	39,065
Related party in substance	10,780	10,880
Associate	<u>4,854</u>	<u>2,752</u>
	<u>\$ 1,685,506</u>	<u>\$ 1,336,270</u>
5) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	<u>\$ 67,118</u>	<u>\$ 62,000</u>

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
6) Accounts receivable from related parties		
Subsidiary		
NTHK	\$ 141,110	\$ 36,138
NTCA	108,679	41,732
Others	17	5,077
Related party in substance	15,723	52,417
Associate		
WECJ	<u>33,052</u>	<u>17,475</u>
	<u>\$ 298,581</u>	<u>\$ 152,839</u>
7) Other receivables		
Subsidiary		
NTCJ	\$ 7,575	\$ 14,009
NTSG	2,701	-
Others	78	78
Parent company	597	-
Associate	<u>353</u>	<u>5,223</u>
	<u>\$ 11,304</u>	<u>\$ 19,310</u>
8) 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>
9) Accounts payable to related parties		
Related party in substance		
Waltech	\$ 448,177	\$ 18,764
Subsidiary		
NTCJ	158,614	71,813
NTSG	84,359	-
Others	-	58
Parent company	<u>20,828</u>	<u>36,060</u>
	<u>\$ 711,978</u>	<u>\$ 126,695</u>

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
10) Other payables		
Subsidiary	\$ 123,263	\$ 195,387
Parent company	48,200	20,466
Related party in substance	<u>1,042</u>	<u>-</u>
	<u>\$ 172,505</u>	<u>\$ 215,853</u>

11) Guarantee deposits		
Related party in substance		
Nyquest	\$ 250,594	\$ 225,869
Parent company	<u>545</u>	<u>545</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.

c. Lease arrangements - Company is lessee

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
1) Lease liabilities		
Parent company	\$ 24,245	\$ 36,172
Related party in substance	<u>-</u>	<u>11,316</u>
	<u>\$ 24,245</u>	<u>\$ 47,488</u>
	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>

2) Finance costs		
Parent company	\$ 312	\$ 441
Related party in substance	<u>84</u>	<u>264</u>
	<u>\$ 396</u>	<u>\$ 705</u>

d. Lease arrangements - Company is lessor/sublease arrangements

Sublease arrangements under operating leases

For the year ended December 31, 2021, the Company subleases its assets under operating leases to WEC and SYI with lease terms 3 years.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Parent company	\$ 340	\$ 67
Subsidiary	<u>6</u>	<u>-</u>
	<u>\$ 346</u>	<u>\$ 67</u>

2) Future lease payment receivables was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Parent company	\$ 4,076	\$ 4,369
Subsidiary	<u>150</u>	<u>180</u>
	<u>\$ 4,226</u>	<u>\$ 4,549</u>

3) Lease income was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Parent company	\$ 4,041	\$ 4,198
Subsidiary	<u>60</u>	<u>60</u>
	<u>\$ 4,101</u>	<u>\$ 4,258</u>

e. Endorsements and guarantees

Endorsements and guarantees provided by the Company

The chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13 to the financial statements.

For the year ended December 31, 2022, the Company will provide endorsement guarantees and property guarantees for NTCJ, for their financing to financial institutions.

f. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 153,883	\$ 93,617
Post-employment benefits	<u>944</u>	<u>933</u>
	<u>\$ 154,827</u>	<u>\$ 94,550</u>

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

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Time deposits (accounted as refundable deposits)	<u>\$ 107,227</u>	<u>\$ 107,168</u>

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of the end of the reporting day, the Company had no significant contingent liabilities and unrecognized commitments.

## 29. 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 Company evaluated that there is no significant impact on the overall business operation and financial position of the Company. There are no concerns about the capability of the Company to be going concern, and the risk of assets impairment and fund raising.

## 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<u>December 31</u>					
	<u>2022</u>			<u>2021</u>		
	<u>Foreign Currencies (Thousand)</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars (Thousand)</u>	<u>Foreign Currencies (Thousand)</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars (Thousand)</u>
<u>Financial assets</u>						
Monetary items						
USD	\$ 145,545	30.71	\$ 4,469,702	\$ 92,850	27.68	\$ 2,570,076
ILS	1,243	8.7301	10,855	9,513	8.8912	84,586
JPY	179,662	0.2324	41,753	315,372	0.2405	75,847
EUR	63	32.72	2,077	188	31.32	5,882
RMB	2,752	4.4080	12,133	1,202	4.344	5,221
Investments accounted for using equity method						
USD	90,843	30.71	2,789,786	83,359	27.68	2,307,371
INR	58,317	0.3712	21,647	55,193	0.3720	20,532
KRW	520,808	0.0244	12,708	480,736	0.0233	11,201
JPY	32,563,868	0.2324	7,567,843	26,489,821	0.2405	6,370,802
<u>Financial liabilities</u>						
Monetary items						
USD	125,858	30.71	3,865,095	116,770	27.68	3,232,183
ILS	10,532	8.7301	91,949	20,700	8.8912	184,048
JPY	56,304	0.2324	13,085	1,140,035	0.2405	274,179
EUR	164	32.72	5,397	325	31.32	10,186



For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were NT\$183,430 thousand and NT\$(8,646) 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 Company.

### 31. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. Therefore, these financial statements do not provide such information.

### 32. ADDITIONAL DISCLOSURE

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)	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)	<p>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.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>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.</p>	Table 7

c. Information of major shareholders: Refer to Table 8 attached.

**NUVOTON TECHNOLOGY CORPORATION**

**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

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 profit and loss	-	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	Symetrix Corporation	None	"	50,268	-	1	-	

**NUVOTON TECHNOLOGY CORPORATION**

**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 translation 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.

**TABLE 4**

**NUVOTON TECHNOLOGY CORPORATION**

**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**

**(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. Waltech	Associate	Purchases	JPY 20,139,308	39	Net 10 days end of the month	N/A	N/A	JPY (1,087,101)	12	
		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**

**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	91.16	\$ -	-	\$ 141,110	\$ -
	NTCA	Subsidiary	108,679	3.49	-	-	108,679	-
NTSG	NTCJ	Fellow subsidiary	US\$ 16,902	9.69	-	-	US\$ 16,902	-
NTCJ	NTSG	Fellow subsidiary	JPY 1,871,831	14.11	-	-	JPY 1,871,831	-
	The Company	Parent company	US\$ 5,165	17.08	-	-	US\$ 5,165	-
	Waltech	Related party in substance	JPY 2,864,430	4.91	-	-	JPY 2,864,430	-

**NUVOTON TECHNOLOGY CORPORATION**

**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  
(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	210,631	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**

**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 of the Consolidated Financial Statements 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.

**TABLE 8****NUVOTON TECHNOLOGY CORPORATION****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 8 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 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.

# NUVOTON TECHNOLOGY CORPORATION

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**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Foreign Currencies)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand		\$ 230
	Check accounts	700
	Demand deposits - NT\$	51,143
	Foreign currency deposits - US\$6,102 @ 30.71	187,396
	Foreign currency deposits - JPY91,952 @ 0.2324	21,370
	Foreign currency deposits - ILS1,243 @ 8.7301	10,855
	Foreign currency deposits - EUR63 @ 32.72	2,077
	Foreign currency deposits - RMB84 @ 4.408	371
	Time deposits - NT\$	4,065,000
	Time deposits - US\$96,500 @ 30.71	2,963,515
Cash equivalents	Repurchase agreements collateralized by bond - expired by January 6, 2023, interest rates at 0.75%	<u>50,000</u>
		<u>\$ 7,352,657</u>

**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Description</b>	<b>Amount</b>
Client V	Third parties, sales payments	\$ 632,523
Client C	Third parties, sales payments	184,291
Client O	Third parties, sales payments	81,950
Client S	Third parties, sales payments	58,411
Others (Note)	Third parties, sales payments	238,550
Less: Allowance for return and rebate		(343,187)
Less: Loss Allowance		<u>(19,086)</u>
		<u>\$ 833,452</u>

Note: The amount of individual client included in “others” does not exceed 5% of the account balance.

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF OTHER RECEIVABLES**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Business tax refund receivable	\$ 27,758
Receivables from related parties	11,304
Receivables from sales of scraps	9,269
Interest receivable	6,018
Others (Note)	<u>1,310</u>
	<u>\$ 55,659</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realized Value</b>
Raw materials and supplies	\$ 318,359	\$ 231,211
Work-in-process	2,382,228	2,151,861
Finished goods	963,040	748,712
Inventories in transit	267	267
Less: Allowance for inventory valuation and obsolescence losses	<u>(531,843)</u>	<u>-</u>
	<u>\$ 3,132,051</u>	<u>\$ 3,132,051</u>

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF OTHER CURRENT ASSETS**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Prepayments to suppliers	\$ 95,929
Prepaid expenses for mask	85,137
Prepaid expenses for software	67,703
Prepaid expenses for bonus	33,881
Prepaid expenses for royalty income	19,590
Others (Note)	<u>26,089</u>
	<u>\$ 328,329</u>

Note: The amount of each item in others does not exceed 5% of the account balance.



**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Name of Securities	As of January 1, 2022		Increase		Decrease		As of December 31, 2022		Collateral
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	
Listed shares and emerging market shares									
Brightek Optoelectronic Co., Ltd.	34,680	\$ 1,933	-	\$ -	-	\$ 1,014 (Note 1)	34,680	\$ 919	None
Unlisted shares									
United Industrial Gases Co., Ltd.	8,800,000	598,400	-	-	-	105,600 (Note 1)	8,800,000	492,800	"
Yu-Ji Venture Capital Co., Ltd.	675,000	10,840	-	- (Note 1)	100,000	996 (Note 2)	575,000	9,844	"
Autotalks Ltd. - Preferred E. Share	3,932,816	553,600	-	60,600 (Note 1)	-	-	3,932,816	614,200	"
		<u>1,162,840</u>		<u>60,600</u>		<u>106,596</u>		<u>1,116,844</u>	
		\$ <u>1,164,773</u>		\$ <u>60,600</u>		\$ <u>107,610</u>		\$ <u>1,117,763</u>	

Note 1: Unrealized fair value measurement.

Note 2: Capital reduction of investments.

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Name	Balance at January 1, 2022		Increase		Decrease		Balance at December 31, 2022			Market Value or Net Assets Value	Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	%	Amount		
Nuvoton Electronics Technology (H.K.) Limited	107,400,000	\$ 508,077	-	\$ 103,069	-	\$ -	107,400,000	100	\$ 611,146	\$ 611,146	None
Marketplace Management Ltd.	8,897,789	298,146	-	-	-	12,949	8,897,789	100	285,197	285,197	"
Nuvoton Technology Corporation America	60,500	180,225	-	30,406	-	-	60,500	100	210,631	210,631	"
Nuvoton Investment Holding Ltd.	17,960,000	360,342	-	8,310	-	-	17,960,000	100	368,652	368,652	"
Song Yong Investment Corporation	3,850,000	277,340	-	-	-	129,582	3,850,000	100	147,758	147,758	"
Nuvoton Technology India Private Limited.	600,000	20,532	-	1,115	-	-	600,000	100	21,647	21,647	"
Nuvoton Technology Holdings Japan	100	6,370,802	-	1,197,041	-	-	100	100	7,567,843	7,567,843	"
Nuvoton Technology Korea Limited	125,000	11,201	-	1,507	-	-	125,000	100	12,708	12,708	"
Nuvoton Technology Singapore Pte. Ltd.	45,100,000	<u>1,607,079</u>	-	<u>352,692</u>	-	-	45,100,000	100	<u>1,959,771</u>	<u>1,959,771</u>	"
		<u>\$ 9,633,744</u>		<u>\$ 1,694,140</u>		<u>\$ 142,531</u>			<u>\$ 11,185,353</u>	<u>\$ 11,185,353</u>	

**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Item	Balance at January 1, 2022	Addition	Deduction	Balance at December 31, 2022
Cost				
Land	\$ 248,885	\$ 2,170	\$ -	\$ 251,055
Buildings	125,532	846	2,738	123,640
Other equipment	<u>17,687</u>	<u>656</u>	<u>-</u>	<u>18,343</u>
	<u>\$ 392,104</u>	<u>\$ 3,672</u>	<u>\$ 2,738</u>	<u>\$ 393,038</u>
Accumulated depreciation				
Land	\$ 75,674	\$ 25,170	\$ -	\$ 100,844
Buildings	73,670	27,815	1,217	100,268
Other equipment	<u>9,403</u>	<u>4,875</u>	<u>-</u>	<u>14,278</u>
	<u>\$ 158,747</u>	<u>\$ 57,860</u>	<u>\$ 1,217</u>	<u>\$ 215,390</u>

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF REFUNDABLE DEPOSITS**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Pledged time deposits	Land leases and customs tariff obligations deposit	\$ 107,227
Refundable deposits	Lease deposit	<u>207,668</u>
		<u>\$ 314,895</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Vender Name</b>	<b>Description</b>	<b>Amount</b>
Vendor G	Third parties, payment for goods	\$ 188,196
Vendor E	"	144,757
Vendor A	"	111,249
Vendor I	"	75,379
Vendor L	"	46,266
Others (Note)		<u>306,294</u>
		<u>\$ 872,141</u>

Note: The amount payable to each individual vendor included in "others" does not exceed 5% of the account balance.

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF OTHER CURRENT LIABILITIES**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Receipts in advance	\$ 237,614
Receipts under custody	<u>10,687</u>
	<u>\$ 248,301</u>

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF LONG-TERM BORROWINGS**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

<b>Creditor</b>	<b>Description</b>	<b>Balance, End of Year</b>	<b>Loan Term</b>	<b>Interest Rate (%)</b>	<b>Collateral</b>	<b>Note</b>
The Export-Import Bank of ROC		\$ 1,000,000	2020/08/25-2027/08/25	0.92-1.34	None	Used to acquire Panasonic's semiconductor business in Japan
The Export-Import Bank of ROC		<u>500,000</u>	2019/09/20-2026/09/21	0.92-1.34	"	Used to invest in Autotalks Ltd. in Israel
		1,500,000				
Less: Current portion		<u>(71,429)</u>				
		<u>\$ 1,428,571</u>				

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF LEASE LIABILITIES**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance, End of Year</b>	<b>Note</b>
Land	Science Park Administration and Taiwan Sugar Corporation	2019/01/01-2034/09/30	1.76-2.06	\$ 125,446	
Buildings	Office and Science Park dormitory	2019/01/01-2024/12/31	0.96-1.61	24,654	
Other equipment	Company cars and parking lot	2019/01/01-2027/04/13	0.88-1.09	<u>4,194</u>	
				<u>\$ 154,294</u>	



**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity</b>	<b>Amount</b>
General IC products	1,622,257 thousand pieces of die	\$ 15,974,189
Foundry service	467 thousand pieces of chip	3,368,080
Others		<u>177,950</u>
		<u>\$ 19,520,219</u>

**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 253,157
Add: Raw material purchased	8,165,376
Less: Transferred to manufacturing expenses, operating expenses and others	(357,251)
Scrapped	(1,891)
Raw materials, end of year	<u>(318,359)</u>
Raw materials used	7,741,032
Direct labor	259,633
Manufacturing expenses	<u>3,671,439</u>
Manufacturing cost	11,672,104
Add: Work-in process, beginning of year	1,687,098
Transferred to manufacturing expenses, operating expenses and others	22,936
Less: Scrapped	(24,657)
Work-in-process, end of year	<u>(2,382,228)</u>
Cost of finished goods	10,975,253
Add: Finished goods, beginning of year	1,056,287
Less: Transferred to manufacturing expenses, operating expenses	(28,863)
Scrapped	(33,689)
Finished goods, end of year	(963,040)
Add: Other operating costs	316,007
Loss on the reduction of inventory to LCM and obsolescence	138,396
Scrap loss	60,237
Sales of scrap and waste	<u>(2,481)</u>
	<u>\$ 11,518,107</u>

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payroll expense	\$ 95,190
Subsidiaries service fee	40,141
Commission	33,719
Import and export fee	25,570
Others (Note)	<u>48,567</u>
	<u>\$ 243,187</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payroll expense	\$ 279,247
Subsidiaries service fee	134,511
Amortization	47,470
Professional service fee	74,100
Others (Note)	<u>312,545</u>
	<u>\$ 847,873</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**NUVOTON TECHNOLOGY CORPORATION****STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payroll expense	\$ 1,540,861
Subsidiaries service fee	1,419,261
Materials for research and development	310,629
Others (Note)	<u>677,795</u>
	<u>\$ 3,948,546</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## NUVOTON TECHNOLOGY CORPORATION

### STATEMENT OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Payroll expense	\$ 986,096	\$ 1,915,298	\$ 2,901,394	\$ 857,773	\$ 1,698,198	\$ 2,555,971
Labor and health insurance	66,664	102,245	168,909	59,853	84,614	144,467
Pension	32,673	58,344	91,017	30,715	55,286	86,001
Remuneration to director	-	58,958	58,958	-	37,984	37,984
	<u>\$ 1,085,433</u>	<u>\$ 2,134,845</u>	<u>\$ 3,220,278</u>	<u>\$ 948,341</u>	<u>\$ 1,876,082</u>	<u>\$ 2,824,423</u>
Depreciation expense	<u>\$ 134,398</u>	<u>\$ 93,775</u>	<u>\$ 228,173</u>	<u>\$ 138,453</u>	<u>\$ 98,122</u>	<u>\$ 236,575</u>
Amortization expense	<u>\$ -</u>	<u>\$ 236,293</u>	<u>\$ 236,293</u>	<u>\$ 19,242</u>	<u>\$ 172,892</u>	<u>\$ 192,134</u>

Note 1: As of December 31, 2022 and 2021, the Company had 1,554 and 1,475 employees, respectively. There were both 8 non-employee directors.

Note 2:

- a. Average labor cost for the year ended December 31, 2022 was NT\$2,045 thousand. ((Total labor cost of the current year - Total remuneration to director of the current year)/(Employees of the current year - Non-employee directors of the current year))

Average labor cost for the year ended December 31, 2021 was NT\$1,899 thousand. ((Total labor cost of the current year - Total remuneration to director of the current year)/(Employees of the current year - Non-employee directors of the current year))

- b. Average payroll and bonus expense for the year ended December 31, 2022 was NT\$1,877 thousand. (Total payroll and bonus expense of the current year/(Employees of the current year - Non-employee directors of the current year))

Average payroll and bonus expense for the year ended December 31, 2021 was NT\$1,742 thousand. (Total payroll and bonus expense of the current year/(Employees of the current year - Non-employee directors of the current year))

- c. There was a 7.71% adjusted change in the average payroll and bonus expense. ((Average payroll and bonus expense of the current year - Average payroll and bonus expense of the prior year)/Average payroll and bonus expense of the prior year)

Note 3: The Company has set up an audit committee and did not have supervisors, therefore, there was no compensation to the supervisor.

Note 4: The company's compensation policy:

- a. Directors: In accordance with the Company's Article 25, if the Company turns a profit in a year, no more than 1% (includes 1%) of the profit should be distributed to directors as compensation, however, if the Company still has accumulated deficit from previous terms, it should reserve the amount needed to settle the outstanding balance. The Company's Remuneration of directors and supervisors will suggest the amount of board compensation based on the Company's Article, the Company's "Rules for Distribution of Compensation to Directors and Performance Appraisal to the Board of Directors", the results of the Board of Directors member's self-appraisal and yearly business results, after the Board of Directors approve the suggested amounts, the amounts should be reported to the shareholders meeting.
- b. Managers: To improve business performance, implement the policy of managers taking responsibility for business performance and to ensure the salary's excitement and competitiveness, the Company provides competitive overall remuneration.

(Continued)

- c. Employees: The overall remuneration of employees includes fixed compensation and variable compensation, and is based on the principle of striking a balance between internal fairness and external competitiveness. In accordance with the Company's Article, no less than 1% (includes 1 %) of the profit before income tax excluding the employee and board compensation should be distributed to employees as compensation. The employee's personal remuneration is based on the contribution to their responsibilities and professional function. The bonus payments are made in accordance with the employee's personal performance and contribution.

(Concluded)