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2022 ***Annual Report***

HIWIN TECHNOLOGIES CORP.

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I. Letter to Shareholders

To shareholders of HIWIN:

In 2022, due to the impact of the Russian-Ukrainian war, interest rate hikes by the Federal Reserve, rising inflation rates, and China's COVID-19 lockdown policies, all major global economies were in a state of slowdown or even contraction, with the global economic growth only at 3.4%. Despite the formidable challenges in the external environment, HIWIN still delivered solid results, with a consolidated revenue of NT\$29.315 billion in FY2022, the second highest in the Company's history, registering a 7.5% increase from FY2021. This stellar result can be attributed to the management team's commitment to long-term innovation and global deployment, providing customers with smart manufacturing solutions, helping them to upgrade and enhance their competitiveness, and demonstrating HIWIN's profound strength in corporate sustainability.

The global industry is driven by an emerging wave of automation, intellectual, digitalization and net zero sustainability, and the manufacturing industry is transforming and upgrading towards intelligence, precision, energy saving and carbon reduction. HIWIN's transmission control products and total solution packages are the key partners to upgrading the precision machinery and the implementation of smart manufacturing for our customers. In 2022, HIWIN's new advanced product lines and Mechatronic integrated system services were making significant progress worldwide. HIWIN's torque motor rotary table provides a breakthrough high-speed solution for the precision EDM industry, significantly improving the production efficiency of precision machining for medical and aerospace parts. HIWIN's Wafer Robot, Aligner, Load port and EFEM products have been sold worldwide to help semiconductor manufacturers accelerate their production capacity expansion. At the Japan International Machine Tool Fair (JIMTOF), HIWIN exhibited next-generation intelligent automation solutions for tooling machines that combine HIWIN's intelligent i4.0BS ballscrews, rotary tables and industrial robot. In response to the rapid growth of the EV industry, HIWIN's motion components and module product offer total solution to integrate and help a leading electric vehicle brand to expand its automated production lines in Germany. HIWIN's medical rehabilitation systems are sold in Europe, and intelligent models that automatically detect and adjust training are being launched, significantly improving medical efficiency.

In order to accelerate the expansion of new products and new markets, and to provide customers with more immediate and value-added total solutions, HIWIN has grown its domestic and overseas footprint. The opening of the new plant of HIWIN Japan in Kobe, the planned expansion of Phase III plant of HIWIN Germany, the planned purchase of a new plant by HIWIN Italy, the commencement of construction of a new plant of Matrix Precision at the Fengshan Industrial Park, the expansion of Phase III of our plant at the Yunlin Technology-based Industrial Park, and the start of construction of new plants at the first and second phases of the Taichung Industrial Park, all attest to our strategic laying of groundwork for the medium and long-term growth of HIWIN.

HIWIN's operational performance and brand value continue to be recognized: In 2022, HIWIN was ranked 39th among the Taiwan's top 100 sustainable companies by Commonwealth Magazine, and the "Underwater Direct Drive Rotary Table" and "Robotic Gait Training System" both were recognized with silver medals by Taiwan Excellence Awards. For the third year in a row, HIWIN has been ranked among the top 25 "Best Taiwan Global

Brands”. HIWIN is also actively promoting ESG, formulating overall planning for energy and carbon reduction issues, and systematically moving towards the goal of net-zero emissions by 2050. HIWIN has been awarded “Outstanding Sustainability Award” by British Standards Institution (BSI), “Best Action Solution - Silver Award” by TSAA - Taiwan Sustainability Action Awards, “Comprehensive Performance - Taiwan Top 100 Sustainability Model Companies Award” by TCSA - Taiwan Corporate Sustainability Awards and “Corporate Sustainability Report Awards - IT & IC Manufacturing Gold Award in Category 1”. HIWIN has also obtained the ISO 46001 water management certificate from TUV Rheinland, etc. These awards are the results of the HIWIN team's long-standing efforts in R&D and operational management.

Looking ahead to 2023, despite the forecasted economic slowdown, our demand in the U.S. and European markets continues to increase, the full-scale lifting of COVID lockdown in Mainland China, and the expected economic recovery have all led the International Monetary Fund (IMF) to revise upward the global economic growth rate to 2.9%. Although there is still a slight decline compared to FY2022, in the long run, the global demand for smart solutions and automation will continue to grow under the influence of rising wages and labor shortages. By leveraging our competitive advantage from our long-term investment in R&D, vertical integration, and global marketing, HIWIN will continue to innovate and create more added value for our customers. HIWIN will also integrate the concept of CSR with our core competencies to achieve sustainable development goals through the implementation of ESG measures. We look forward to the continued support and guidance of all our shareholders, enterprise, finance sector partners and government officials in 2023. The HIWIN team looks forward to another year of resounding success ahead!

2022 Business Plan Implementation Results are as follows:

i. 2022 Business Report

(i). Business Plan Implementation Results

The 2022 consolidated financial statements showed revenue of NT\$29,314,648,000, with an increase of 7.5% compared to NT\$27,265,162,000 in 2021. The operating income was NT\$5,572,449,000, with an increase of 9.0% compared to NT\$5,114,593,000 in 2021. The pre-tax income was NT\$5,817,950,000, with an increase of 30.0% compared to NT\$4,474,820,000 in 2021. The net income attributed to owners of the parent company was NT\$4,479,381,000, an increase of 26.8% compared to NT\$3,532,230,000 in 2021. Earnings per share was NT\$12.98, with an increase of 25.3% compared to NT\$10.36 in 2021.

(ii) Financial Revenues and Expenditures and profitability Analysis

1. Financial Revenues and Expenditures

Unit: NT\$ thousands

Item	Figures On Certified Financial Statements 2022	
	Amount	Percentage
Net Operating Revenue	29,314,648	100
Costs of Goods Sold	18,599,298	63
Gross Profit	10,715,350	37
Operating Expenses	5,142,901	18

Operating Income	5,572,449	19
Net Non-Operating Income	245,501	-
Net Income	4,311,735	14
Net Income Attributed to Owners of Parent Company	4,479,381	15

Note: This is a consolidated financial statement. The Company did not disclose any financial forecasts for 2022, therefore, there was no disclosure of budget achievement situation.

2. Profitability Analysis

Item	2022
Return on Assets (%)	8.66
Return on Equity (%)	13.18
Pre-tax Income to Capital Stock (%)	164.45
Net Profit Margin (%)	14.71
Earnings Per Share (NT\$)	12.98

(iii) Research and Development

1. In 2022, the R& D expenses accounted for 4% of the revenue. There were 109 patent applications filed and 124 patent certificates were acquired. As of the end of 2022, there were 2,334 patents that had been acquired and were still in valid. The R&D achievements in the fields of metal, steel, and precision machinery remain the best in Taiwan, maintaining its leading position.

2. “Submersible High-Speed Rotary Table” was awarded the Silver Award in the 31st Taiwan Excellence Award by the Ministry of Economic Affairs.

3. R&D Results:

(1) Complete the development of EDM Equipment Used Turntable RCH-100E prototype.

(2) Mass production of New Generation Servo Rotary Rail System.

(3) Mass production of Four Row Stainless Steel Linear Guideway completed.

(4) R&D of A Series Wafer Robotic Holder completed, trial production proceeded and accreditation acquired.

ii. 2022 Business Plan Outline

(i) Business Principle

1. Promote high-end smart manufacturing and electromechanical integration products, transform and upgrade, and drive revenue growth.
2. Consolidate the energy of the Group and global partners to provide customers with solutions through electromechanical integration services.
3. Integrate the concept of circular economy with intelligent process to enhance competitiveness.
4. Develop innovative energy-saving and carbon-reducing products, and enhance the brand value of HIWIN with high-quality products and professional services.
5. Continue global deployment, integrate resources, enhance business momentum, and provide rapid local services.

(ii) Estimated Sales Numbers and its Basis

1. The expected sales for 2023 are as follows:

Unit: thousand units

Product Type	Sales Amount
Ballscrews	2,200-2,300
Linear Guideway	30,500-32,000
Industrial Robotics	3,500-4,800

2. Basis

The above numbers are estimation for product sales of HIWIN in 2023 on the basis of global economic trends, operating environment of industries, market supply and demand, competitive conditions, analysis of business development potentials of current customers and the progress of potential customer development, as well as the consideration of various factors, such as the balance of production and sales.

(iii) Important Production and Sales Policy

1. Provide torque rotary tables as an upgrade solution for equipment manufacturers and metal processors.
2. Promote the sales of high-end new products and electromechanical integration products, and provide differentiation and competitiveness.
3. Collaborate with system integration partners to provide intelligent services in the industry.
4. Provide automation solutions for components and parts, robotic arms, system components, and electromechanical integration through integrated marketing to help alleviate the problem of labor shortage in the industry.
5. Adjust material/production/sales promptly to ensure competitive delivery time and healthy inventory management.

(iv) Future Development Strategy

1. Integrate electromechanical products of the Group, develop modular solutions, and provide customers with innovative and smart manufacturing services.
2. Develop Torque Motor Rotary Table, the new main product of high-end five-axis machine tools, to assist equipment industry and manufacturing industry to upgrade.
3. Continue to invest in the research and development of smart machinery technology, and expand industrial applications of i4.0 BS/i4.0 GW/iSR.
4. Continue to deploy and cultivate semiconductor industry, and be a core supply partner of its upstream, midstream, and downstream manufacturers.
5. Continue to increase global distribution and system provider bases, widen market differentiation with the full product service of electromechanical integration.
6. Continue the expansion of factories around the world, increase production capacity and services, and respond to the geopolitical era.
7. Accelerate the expansion in East Europe, Southeast Asia, India, and other area, so as to seize the opportunities of supply chain relocation.

(v) Influence of External Competitive Environment, Regulatory Environment, and Overall Business Environment

According to the forecast of International Monetary Fund (IMF), in 2023, the global economy and supply chain will be continuously affected by the epidemic, the Russia-Ukraine war, the rising of interest rate, the trade tensions between the US and China, soaring food and energy prices, monetary tightening, natural disasters caused by climate change, and as a result of the above factors, the economic growth momentum will be reduced. However, since the consumption and investment in the United States and Europe are stronger than expectation, the strong labor market will drive the economy to go up. In addition, the markets in mainland China have been reopened after the pandemic restrictions have been completely lifted. It not only increases the demand, but helps alleviate inflationary pressures. The global economic growth in 2023 is thus expected to be increased from 2.7% estimated at the end of last year to 2.9%.

Looking ahead to 2023, HIWIN will continue to follow environmental changes and trends, deploy for electromechanical integration of the Group, promote high-end intelligent products and global service network, actively develop green energy and circular economy opportunities, and prepare for localized services. These efforts are also HIWIN's best weapon against external business environment changes and industry competition. We are confident that we are able to continue to expand our market shares in the changing environment and move forward to the goal of being the number one in the world.

Best Regards,

HIWIN Technologies, Corp.
Eddie W.H. Chuo, Chairman

II. Company Profile

i. Establishment Date

- 1989 ●Established in October.

ii. Company History

- 1992 ●Set up a subsidiary in the United States.
 ●Obtained ISO9001 certification from SGS, UK.
- 1993 ●Acquired HOLZER to establish a subsidiary in Germany.
 ●Obtained approval for important technology business.
 ●Precision Ballscrew awarded the Silver Award in the 1st “Taiwan National Product Image Award”.
- 1996 ●Merged with Yuan Yin Precision Industry Co., Ltd.
- 1997 ●Obtained ISO14001 certification from TUV Germany.
- 1999 ●Linear Bearing awarded the Gold Award in the 7th “Taiwan National Product Image Award”.
 ●Formed a strategic alliance with PARKER HANNIFIN, USA.
 ●Set up a subsidiary in Japan.
- 2000 ●HIWIN Germany reinvested in HIWIN Switzerland.
 ●Awarded the “Excellence Award ” in the 8th “Industrial Technology Advancement Award” by MOEA.
 ●Awarded in the 1st CSR Award by MOEA.
 ●HIWIN Linear Guideway was awarded in the 8th “Taiwan Excellence Award”.
 ●Ranked 79th in the “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
- 2001 ●HIWIN Germany reinvested in HIWIN Czech.
 ●High Speed Ballscrew awarded the Silver Award in the 9th “Taiwan National Product Image Award”.
 ●Ranked 816th in the 2001 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2002 ●Self-lubricant Guideway awarded the Silver Award in the 10th “Taiwan National Product Image Award”.
 ●Awarded the Gold Award in the 11th “National Invention Award – Corporation Group” by MOEA.
 ●Won the “Outstanding Promoter Award” in the “Taiwan Excellence Award”.
 ●Ranked 65th in the “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 ● Ranked 855th in the 2002 “Top 1000 Manufacturers” by Commonwealth Magazine.
 ●Acquired OHSAS 18001 Occupational Safety and Health Certificate from TUV Germany.
- 2003 ●Precision Linear Module was awarded the Gold Award in the 11th “Taiwan National Product Image Award”.

- Purchased a land with an area of 15,332 pings in Yunlin Technology-Based Industrial Park and constructed the plant for the first phase.
 - Ranked 734th in the 2003 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2004
- Awarded the “Outstanding Award” in the 12th “Industrial Technology Development Award” by MOEA.
 - Leased the land in Yunlin Technology-Based Industrial Park and continued to expand the new plant and put it into production in order.
 - Established an R&D center in Tokyo, Japan.
 - Held the 1st “HIWIN Thesis Award”.
 - Ranked 603rd in the 2004 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2005
- Awarded in the 2nd “Taiwan Superior Brands Award” by Bureau of Foreign Trade, MOEA.
 - All Electric Injection Molding Machine Ballscrew was awarded the Gold Award in the 13th “Taiwan National Product Image Award” by MOEA.
 - Selected as the “Best National Corporate Citizen” by Commonwealth Magazine.
 - Ranked 79th in the “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 - Ranked 552nd in the 2005 “Top 1000 Manufacturers” by Commonwealth Magazine
- 2006
- Ranked first and received the priority for the allocation of 12,665 pings of land over 500 competitors in the “Taichung City Precision Machinery Innovation Technology Park” planned by Taichung City Government.
 - Awarded in the 3rd “Taiwan Superior Brands Award” by Bureau of Foreign Trade, MOEA.
 - High Speed Mute Ballscrew was awarded the Silver Award in the 14th “Taiwan Excellence Award”.
 - The new plant in Chicago, USA was completed and put into use.
 - Ranked 40th in the “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 - Ranked 513th in the 2006 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2007
- Ranked 4th in the mid-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by Commonwealth Magazine.
 - In the “Flagship Enterprise Development Plan” promoted by MOEA for machine tools, HIWIN was identified as a priority target for promotion.
 - Groundbreaking for global operations and R&D headquarters in Taichung City Precision Machinery Innovation Technology Park.
 - Acquired a new site for Tanzi Plant and started to expand the new plant.
 - Acquired ISAT certification from Applied Materials USA, the largest semiconductor equipment manufacturer in the world, and became a qualified supplier.
 - Ranked 32nd in the “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.

- HIWIN Germany acquired a land and factory adjacent to them with an area more than 2,000 square meters to integrate with the old plant and expand production capacity.
 - High Rigidity Roller Type Linear Guideway was awarded the Silver Award in the 15th “Taiwan Excellence Award” by MOEA.
 - Ranked 440th in the 2007 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2008
- Ranked 3rd in the mid-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by Commonwealth Magazine.
 - Registered for the purchase of a land of 31,827 pings in the “Dapumei Precision Machinery Park”, Chiayi County.
 - Environment Friendly Lubrication Module was awarded the Gold Award in the 16th “Taiwan Excellence Award” by MOEA.
 - Awarded the “Enterprise Contribution Award” in the “2008 National Invention and Creation Award” by the Intellectual Property Office, MOEA.
 - Held the 1st “HIWIN Intelligent Robotic Holder Competition”.
 - Ranked 36th in the 2008 “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 - Obtained the certification of Taiwan Occupational Safety and Health Management System (TOSHMS).
 - Ranked 380th in the 2008 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2009
- Ranked 3rd in the mid-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by Commonwealth Magazine.
 - R1 Series Energy Efficient Drive Module was awarded the Gold Award in the 17th “Taiwan Excellence Award” by MOEA.
 - Listed its shares on public exchange stock markets.
 - Awarded in the “2009 Taiwan Superior Brands Award” by Bureau of Foreign Trade, MOEA.
 - Chairman Zhuo was awarded the Gold Award in the National Invention Award - Individual Group.
 - Awarded the Excellent Enterprise for Defense Industry Reserve Duty System by Ministry of National Defense.
 - 20th Anniversary Celebration of HIWIN.
 - Reinvested in MegaFabs Motion Systems Ltd., the top controller manufacturer in Israel.
 - Ranked 33rd in the 2009 “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 - Ranked 471st in the 2009 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2010
- Additional land of 29,514 pings in the “Dapumei Precision Machinery Park”, Chiayi County was purchased, reaching 45,286 pings for total area registered for purchase.
 - SK Series Environment Friendly Drive Module was awarded the Gold Award in the 18th “Taiwan Excellence Award”.

- Ranked 59th in the 2010 “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 - Awarded the 2010 “Employment Creation Contribution Award” in the 2nd competition held by the Executive Yuan.
 - Awarded the “Excellent Enterprise for Assisting Veteran in Employment” by the Veterans Affairs Advisory Committee of the Executive Yuan.
 - Awarded the 1st place for beautification in the 2010 “Adopt-An-Area Campaign” for industrial areas nationwide by MOEA.
 - Ranked 313th in the 2010 “Top 1000 Manufacturers” by CommonWealth Magazine.
 - Ranked 2nd in the mid-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by CommonWealth Magazine.
- 2011
- Awarded the 2011 “Employment Creation Contribution Award” in the 1st competition held by the Executive Yuan.
 - C1 Series Ballscrew was awarded the Gold Award in the 19th Taiwan Excellence Award by MOEA.
 - Awarded Top 100 Taiwan Brands by Bureau of Foreign Trade, MOEA.
 - Awarded in the 1st “Monte Jade Innovation Competition” by Monte Jade Science & Technology Association of Taiwan.
 - Awarded in the 1st “Taiwan Green Classics Awards” by MOEA.
 - Selected as one of the Taiwan’s 10 Most Innovative Enterprises in 2011 by MOEA.
 - Awarded the Outstanding Innovative Enterprise Award in the 1st “National Industrial Innovation Award” by MOEA.
 - Awarded the “Silver Medal” for “Taiwan Training Quality System (TTQS)” certification by the Bureau of Employment and Vocational Training, Council of Labor Affairs, Executive Yuan.
 - Held the 1st “HIWIN Doctoral Dissertation Award”.
 - Chairman Zhuo was honored with the “Management of Technology Award” from Chinese Society for Management of Technology.
 - Chairman Zhuo was honored with the “2011 Super MVP Manager” from MANAGERtoday.
 - Chairman Zhuo was awarded an Honorary Doctor of Engineering degree by National Kaohsiung First University of Science and Technology.
 - Chairman Zhuo was appointed as Honorary Professor at Dalian University of Technology.
 - Ranked 33rd in the 2011 “Top 100 Published and Issued Patents for National Juristic Persons” by the Intellectual Property Office, MOEA.
 - Ranked 223rd in the 2011 “Top 1000 Manufacturers” by CommonWealth Magazine.
- 2012
- Awarded 1st in the Enterprise Section of “Top Performing Unit for Solider Replacement” by the Ministry of Interior.
 - Acquired ISO14061-1 “Organizational Greenhouse Gas Emission Verification” from the British Standards Institution (BSI).

- Acquired PAS 2050 certification for “Ballscrew Product Carbon Footprint Verification” by the British Standards Institution (BSI).
 - Ranked 1st in the list of “Top 50 Best Operating Performance Enterprises” in 2009-2011 by Commonwealth Magazine.
 - HIWIN’s achievements in implementation of “Disaster-Free Man-Hour Recording” was commended and recognized by the Council of Labor Affairs, Executive Yuan.
 - Ranked 21st in the large-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by Commonwealth Magazine.
 - RD Series High DN Energy Efficient High Load Ballscrew was awarded the Gold Award in the 20th “Taiwan Excellence Award” by MOEA.
 - HIWIN Global Headquarters and R&D Center completed and put to use.
 - Selected as one of the Asia’s 200 Best Under A Billion (USD) 2012 by Forbes Magazine.
 - Selected as one of the Taiwan’s 20 Most Innovative Enterprises in 2012 by MOEA.
 - Awarded the “Gold Medal” for “Taiwan Training Quality System (TTQS)” certification by the Bureau of Employment and Vocational Training, Council of Labor Affairs, Executive Yuan.
 - Chairman Zhuo was awarded an Honorary Doctor of Philosophy, PH.D. degree by National Chung Cheng University.
 - Ranked 257th in the 2012 “Top 1000 Manufacturers” by Commonwealth Magazine.
 - Chairman Zhuo was awarded in the 6th National Distinguished Accomplishment Award by Chinese Professional Management Association.
- 2013
- Awarded in the 1st “Taiwan Mittelstand Award”.
 - CRB Series Crossed Roller Bearing was awarded the Gold Award in the 21st Taiwan Excellence Award by MOEA.
 - Awarded the Gold Medal for “Taiwan Training Quality System (TTQS)” certification.
 - Obtained ISO13485 international medical certification.
 - Honored with the Merit Award by SGS, UK
 - Selected as one of the Taiwan’s 20 Most Innovative Enterprises in 2013 by MOEA.
 - Chairman Eric, Y. T. Chuo was honored the Distinguished Alumnus with the “Golden Eagle Award” by Tamkang University.
 - Started MA plan to cultivate international marketing experts.
 - Signed on an industry-academia cooperation project with Taichung Industrial Senior High School and National Taiwan University of Science and Technology to cultivate future talents.
 - “Zhuo Yong-Tong Memorial Library” donation contract signing ceremony for six elementary schools in Hsinchu was held in December, 2013.
 - Released the first Corporate Social Responsibility CSR Report.
 - Subsidiaries in Singapore, South Korea, and Italy were established.
 - Ranked 259th in the 2013 “Top 1000 Manufacturers” by Commonwealth Magazine.
- 2014
- Super T Series Tangential External Circulation Ballscrew was awarded the Gold Award in the 22nd Taiwan Excellence Award.

- Continued to introduce TPS for improvement.
 - Ranked 50th in the “World’s 100 Most Innovative Growth Companies 2014 ” by Forbes.
 - Selected as the top weighted constituent stock in the US Nasdaq Robo-Stox robotic index fund.
 - Established a Joint R&D Center with National Tsing Hua University.
 - Established HIWIN-MPEI Precision Electromechanical Engineering Research Center in Moscow.
 - Formed a strategic alliance with Advantec Co., Ltd.
 - Foundation laying ceremony for the 2nd plant in Offenburg was held by HIWIN Germany.
 - Selected as one of the Taiwan’s 20 Most Innovative Enterprises in 2014 by MOEA.
 - Robotic Gait Training System acquired the CE Medical Device Certificate.
 - Established a subsidiary in Suzhou, China.
 - Awarded the “Taiwan Corporate Sustainability Award” and “Social Inclusion Award”.
 - Obtained the certification of Taiwan Intellectual Property Management System (TIPS).
 - Ranked 227th in the 2014 “Top 1000 Manufacturers” by CommonWealth Magazine.
- 2015
- Obtained 48% of the equity of Luren Precision Co., Ltd.
 - Obtained ISO50001 energy management system certification.
 - Ranked 37th in the “World’s 100 Most Innovative Growth Companies 2014 ” by Forbes.
 - Robitic Gait Training System MRG-P100 was awarded the Gold Award in the 23rd Taiwan Excellence Award by MOEA.
 - General Manager Enid Tsai was listed as one of Forbes’ “2015 Asia’s 50 Power Businesswomen”, the only one from Taiwan.
 - Won the Gold Award and Growth Through Innovation Award of the Taiwan Corporate Sustainability Awards (TCSA).
 - Ranked 31st in the large-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by CommonWealth Magazine.
 - Cooperated and set up a joint R&D center with China Medical University.
 - Selected as one of the Taiwan’s 20 Most Innovative Enterprises in 2015 by MOEA.
 - Started the new construction project of “Jingke 2nd Plant”.
 - Groundbreaking ceremony held for staff dormitory construction in the Taichung Precision Machinery Park.
 - Chairman Eric, Y. T. Chuo was awarded an Honorary Doctor of Philosophy degree by National Tsing Hua University and an Honorary Doctor of Philosophy degree by National Taiwan University of Science and Technology.
 - Ranked 220th in the 2015 “Top 1000 Manufacturers” by CommonWealth Magazine.
- 2016
- Ranked 5th in the “World’s Top 100 Public Companies by Comprehensive Growth” by Nikkei Inc.
 - Foundation laying ceremony for a new plant held by China subsidiary.
 - Achieved a top 5% ranking in the 2nd Corporate Governance Evaluation for public companies.

- HM Series Single-Axis Robot Module was awarded both the IF Design Award and the Red Dot Design Award.
 - Delta Robot was awarded the Silver Award in the 24th Taiwan Excellence Award by MOEA.
 - Chairman Eric, Y. T. Chuo was ranked 25th in the “2015 Top 50 Taiwan CEOs” by Harvard Business Review.
 - Signed a Memorandum of Cooperation with Show Chwan Hospital’s Asia Institute of TeleSurgery on “Robotic Endoscope Holder” surgery training courses and promotion.
 - Chairman Eric, Y. T. Chuo was awarded an Honorary Doctor of Philosophy degree by China Medical University.
 - Acquired CE certification of EU for CNC Rotary Table.
 - Signed a Memorandum of Cooperation with Etron Technology, Inc.
 - Signed a Memorandum of Cooperation with HIWIN Mikrosystem Corp. and Global HEMS.
 - Awarded in the 17th “National Standardization Award” by the Bureau of Standards, Metrology and Inspection, MOEA.
 - New plant in the 2nd plant site of HIWIN Germany was completed and put to use.
 - Awarded the “Corporate Sustainability Best Performance of Specific Category - Talent Development Award” and the “Taiwan’s Top 50 Corporate Sustainability Report - Gold Award” of the “Taiwan Corporate Sustainability Awards (TCSA)”.
 - Signed a Memorandum of Cooperation with Siemens.
 - Foundation laying ceremony for a new plant in the Dapumei Precision Machinery Park, Chiayi County was held.
 - Robot Gait Training System acquired Symbol of National Quality (SNQ) certification and was awarded the “National Biotechnology and Medical Care Quality Award – Bronze Award”.
 - General Manager Enid Tsai was awarded the Kwol-Ting Li’s Management Award.
 - Ranked 14th in the large-sized enterprises category of the “Excellence in Corporate Social Responsibility Award” by CommonWealth Magazine.
- 2017
- Signed a contract with National Chung Hsing University and Taiping Famers’ Association on the cultivation model and value-added key technology of preservation for exported lychees in Taichung metro area.
 - Wafer Robots was awarded the Silver Award in the 25th Taiwan Excellence Award by MOEA.
 - Achieved a top 5% ranking in the 3rd Corporate Governance Evaluation for public companies.
 - Ranked 201st in the 2016 “Top 1000 Manufacturers” by CommonWealth Magazine.
 - Obtained marketing authorization from TFDA for the “Assistive Bath”.
 - Ranked 1st in the Nikkei Asia300 Index for having a total market value increase rate of 179% within one year.
 - Electric Gripper was awarded the “2017 Good Design Award” in Japan.
 - Awarded the “Sustainable Practice Award” by the British Standards Institution (BSI).
 - Inauguration ceremony of the new plant held by HIWIN China.

- CG Series Superior Rolling Moment with Cover Strip Linear Guideway was awarded the Silver Award in the 26th Taiwan Excellence Award by MOEA.
 - Obtained the certification of Taiwan Intellectual Property Management System (TIPS) for the 4th consecutive year.
 - Awarded the Gold Award in the TCSA’s “Corporate Sustainability Report Award – Electronic Information Manufacturing Industry Group”.
 - Chairman Eric, Y. T. Chuo was awarded the “Outstanding Award” in the 4th “National Intelligence Award”.
 - General Manager Enid Tsai was awarded the “General Manager Excellence Award” in the 35th “National Management Excellence Award”.
- 2018
- Achieved a top 5% ranking in the 4th Corporate Governance Evaluation for public companies
 - Ranked 163rd in the 2017 “Top 1000 Manufacturers” by CommonWealth Magazine.
 - Ranked 534th in the Business Today’s 2018 “Top 1000 Enterprises Among the Three Places Across the Taiwan Strait” by its market value.
 - MTG-H100 Series Robotic Endoscope Holder was awarded the Gold Award in the 27th Taiwan Excellence Award.
 - Super Z Series Micro Ballscrew was awarded the Silver Award in the 27th Taiwan Excellence Award.
 - Obtained the certification of Taiwan Intellectual Property Management System (TIPS).
 - Equipment Front End Module (EFEM) obtained SEMI S2 international safety standards certification.
 - Intelligent 4.0 Ballscrew (i4.0 BS) was awarded the 2018 “International Innovation Award”
 - Awarded the TCSA’s “Top 50 Comprehensive Performance Award”, the “Corporate Sustainability Best Performance of Specific Category – Growth Through Innovation Award”, the “Corporate Sustainability Best Performance of Specific Category – Gender Equality Award”, the “Corporate Sustainability Best Performance of Specific Category – Talent Development Award”, and the “Corporate Sustainability Report Awards – Electronic Information Manufacturing Industry Group – Gold Award”.
 - Awarded the “Sustainability Outstanding Award” by the British Standards Institution (BSI).
 - Achieved a full score of grade A in the quality evaluation by Sumitamo Heavy Industries, Japan
 - HIWIN Germany was awarded the Best Supplier Award by HELLER.
 - Mr. Eric, Y. T. Chuo, the President of HIWIN Group, was ranked 8th on Harvard Business Review’s list of Top Taiwan CEOs for 2018.
 - Mr. Eric, Y. T. Chuo, the President of HIWIN Group, was appointed as Honorary Professor at National Chin-Yi University of Technology.
 - Collaborated with Mr. Wang Tse in the Taiwan Design Exhibition with the demonstration of HIWIN Robotic Holder’s brewing techniques on “two arms three kettles”.
 - Sponsored the key module of the world’s largest mechanical flower, “Listen to the Sound of the Blooming Flower”, at the Taichung World Flora Exposition.

- HIWIN Robotics collaborated with National Taiwan Symphony Orchestra and Wukongshu Entertainment Co., Ltd., and performed the stage play of “Flowering is Happening”.
 - HIWIN Robotics collaborated with National Taiwan University of Arts through cross-field integration and performed the stage plays of “DaDa’s Dream Music Notes” and “Island Times”.
 - Promoted jointly the implementation of “Key Technology for Value-Added Lychee Preservation in Taichung Metro Area” with National Chung Hsing University and Taiping Farmers’ Association, and held the “Beautiful Taichung Lychee Promotion Show” in Tokyo, Japan, trying to make a contribution to Taiwan’s Agriculture.
- 2019
- The 3rd Generation Cool Type Ballscrew won the Excellence Award in the 14th Annual Machine Tools “R&D Innovation” Competition held in 2019 for the category of Numerical Control Machine Tools Key Components.
 - Obtained the international standards certification of ISO 45001, the Occupational Health and Safety Management Systems.
 - Ranked 124th in the 2018 “Top 1000 Manufacturers” by CommonWealth Magazine.
 - Ranked 869th in the Business Today’s 2019 “Top 1000 Enterprises Among the Three Places Across the Taiwan Strait” by its market value.
 - Ranked 9th in the list of “Top 50 Best Operating Performance Enterprises” of the 2019 Top 1000 Enterprises Survey by CommonWealth Magazine.
 - Linear Guideway was awarded the Gold Award in the 2018 National Invention and Creation Award.
 - Ranked 16th in the list of “Nikkei Asia300”
 - Ranked in Forbes Asia’s 200 Best 2019.
 - President Eric, Y. T. Chuo was awarded the 2019 “Entrepreneur of the Year Award” by Enterprise Asia.
 - Awarded the 2018 “Outstanding Trade Contribution Award” by the Bureau of Foreign Trade, MOEA.
 - Won the 2019 Potential Star of Taiwan Global Brands.
 - Awarded the Gold Award and a Special Jury Prize in the 14th Arts and Business Awards by the Ministry of Culture.
 - WUT/WTI Series Strain Wave Gear was awarded the Gold Award in the 28th Taiwan Excellence Award.
 - Awarded the TCSA’s “Comprehensive Performance – Top 50 Sustainable Taiwan Corporates Award”, the “Corporate Sustainability Best Performance of Specific Category – Social Inclusion Award”, and the “Corporate Sustainability Report Award - Gold Award”.
 - Awarded the “Sustainability Outstanding Award” by the British Standards Institution (BSI).
 - HIWIN Group collaborated with National Taiwan Symphony Orchestra and Wukongshu Entertainment Co., Ltd. through cross-field integration and presented the performance of the “Dialogue between Technology and Art” at the Taichung National Opera House, demonstrating

the growth trajectory of HIWIN in 30 years. The performance was excellent and it received rave reviews.

- HIWIN Robotic Gait Training System awarded the 2018 International Innovation Award.
 - Participated in Taiwan's Mask Equipment National Team as soon as it was formed, and was deemed an epidemic prevention pioneer in mask manufacturing.
 - Ranked 173rd in the 2019 "Top 1000 Manufacturers" by CommonWealth Magazine.
 - Ranked 29th in the "Top 100 for Excellence in Corporate Social Responsibility Award" in 2020 by CommonWealth Magazine.
 - Mr. Eric, Y. T. Chuo, the President of HIWIN Group, was ranked 17th in the 2020 "Top 100 Taiwan CEOs" by Harvard Business Review, and has been honored and recognized for three consecutive years.
 - Automotive Precision Ballscrew obtained IAF 16949 automotive quality management system certification, which was an active layout for entering the new-generation automotive supply chain.
 - Continued to collaborate with China Medical University on joint R&D center by signing the 2nd five-year plan to continue the cultivation of medical professionals.
 - Won the 24th place in the 2020 Best Taiwan Global Brands by MOEA.
 - Awarded the "Top 10 Taiwan Most Prestigious Sustainability Corporate Award", the "Taiwan Corporate Sustainability Report Award – Platinum Award", "Specific Performance – Growth through Innovation Award", and "Specific Performance – Talent Development Award" of Taiwan Corporate Sustainability Awards, TCSA.
 - Awarded the "Outstanding Sustainable Resilience Award" by the British Standards Institution (BSI).
 - Collaborated with Chung Shan Medical University Hospital to create the first "Clinical Surgery Teaching Field for MIT Robotic Holder" in Taiwan.
 - Intelligent 4.0 Ballscrew (i4.0BS) obtained the Silver Award in the 29th Taiwan Excellence Award, and High Accuracy Torque Motor Rotary Table RAS-170 was selected for the 29th Taiwan Excellence Award.
 - Acquired ISO14046 water footprint certification.
- 2021
- Achieved a top 5% ranking in the 7th Corporate Governance Evaluation for public companies
 - Ranked 15th in the Top 100 V-Shaped Comebacks of the Top 200 Resilient Corporates by CommonWealth
 - Ranked 163rd in the 2020 "Top 1000 Manufacturers" by CommonWealth Magazine.
 - Selected as one of the constituent stocks in the TWSE "Corporate Governance 100 Index".
 - Groundbreaking ceremony for the plant of HIWIN Japan held in Kobe on May 31, 2021.
 - Groundbreaking ceremony for the expansion on the land of 3,000 Pings in Yunlin Technology-based Industrial Park was held on July 29th, 2021.
 - HIWIN DATORKER Strain Wave Gear was awarded the High Distinction Award in the 1st "Award of Robotic System Integration ARSI - Innovative Application R&D Category - Robot and Key Components R&D Group" in 2021 by the Bureau of Industry, MOEA.

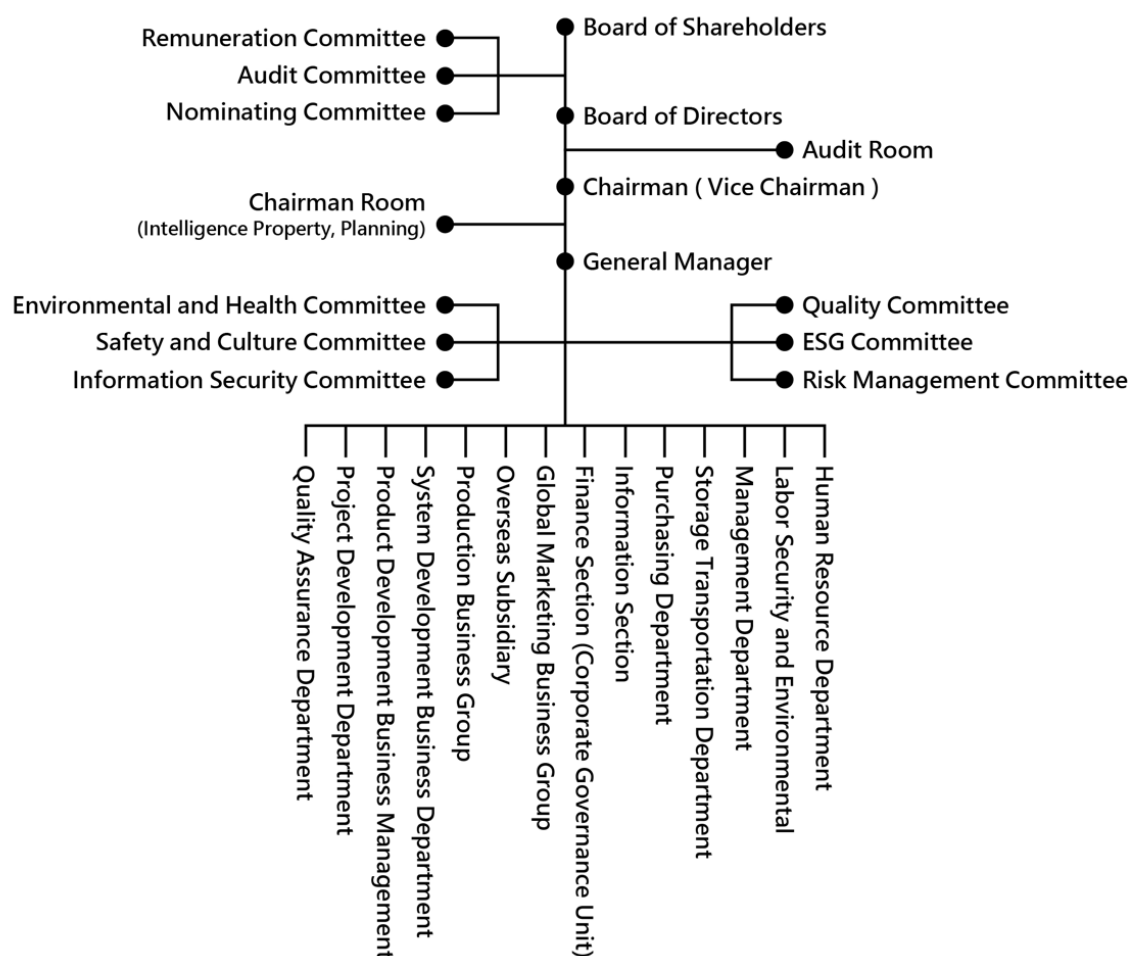
- HIWIN i4.0BS Intelligent 4.0 Ballscrew was awarded the High Distinction Award in the 1st “Award of Robotic System Integration ARSI - Innovative Application R&D Category - System Integration Application Group” in 2021 by the Bureau of Industry, MOEA.
- Ranked 35th in the Top 100 CSR Companies by CommonWealth.
- HIWIN Italy was ranked 4th in the Top 25 Component Manufacturers in Italy by Tecnologie Meccaniche, an authoritative magazine in machine tools industry in Italy, in June 2021.
- Awarded the “Social Inclusion Silver Award” and the “Economic Development Silver Award” for the Best Action Plan Awards of the “Taiwan Sustainability Action Awards (TSAA)”.
- Awarded the “Top 100 Taiwan Companies in Carbon Reduction” in the 2021 Business Weekly survey.
- Awarded the “Outstanding Sustainable Resilience Award” by the British Standards Institution (BSI).
- Awarded the “Comprehensive Performance – Top 50 Sustainable Taiwan Corporates Award” and “Taiwan Corporate Sustainability Report – Platinum Award” of the “Taiwan Corporate Sustainability Awards (TCSA)”.
- President Eric, Y. T. Chuo presided over the start-up meeting of ESG in person in October 2021, and the ESG team of HIWIN was officially formed.
- Mr. Eric, Y. T. Chuo, the President of HIWIN Group, was awarded the “3rd Taiwan Precision Engineering Medal” by Taiwan Society for Precision Engineering (TSPE).
- Equipment Front End Module (EFEM) won the “Silver Award” in the 30th Taiwan Excellence Award; Super Miniature Linear Guideway was awarded in the 30th Taiwan Excellence Award.
- Awarded the 2021 Top 25 Best Taiwan Global Brands by MOEA.
- 2022 ●Groundbreaking ceremony for Gong 1st Plant was held on July 25th, 2022.
- Received the world’s first ISO46001 water resource management certificate from Germany’s TUV Rhineland.
- Groundbreaking ceremony for Yunke 3rd Plant was held on May 23rd, 2022.
- Groundbreaking ceremony for Gong 2nd Plant was held on October 3rd, 2022
- New plant of HIWIN Japan in Kobe was put into formal use on November 1st, 2022.
- Ranked 25th in the 2022 Best Taiwan Global Brands by MOEA.
- Ranked 155th in the 2021 “Top 1000 Manufacturers” by Commonwealth Magazine.
- Ranked 39th in the 2022 Top 100 CSR Companies by CommonWealth.
- Awarded the “Best Action Plan Silver Award for SDG 7 Continued Innovation, Enhancing Energy Resource Efficiency” of the 2022 Taiwan Corporate Sustainability Awards (TCSA).
- Awarded the “Comprehensive Performance – Top 100 Taiwan Most Prestigious Sustainability Corporate Award” and “Corporate Sustainability Report Electronic Information Manufacturing Industry, Gold Award in Level 1st Category” of the “Taiwan Corporate Sustainability Awards (TCSA)”.
- Awarded the “Outstanding Sustainable Resilience Award” by the British Standards Institution (BSI).

- Recognized as one of the “Excellent Units for Green Purchase” by the Environmental Protection Administration, Executive Yuan.
- Submersible High-Speed Rotary Table was awarded the Silver Award in the 31st Taiwan Excellence Award; Robotic Gait Training System was awarded the Silver Award in the 31st Taiwan Excellence Award.
- Intelligent 4.0 Ballscrew i4.0BS won two big prizes in the 15th Machine Tools “R&D Innovation Products” Competition in 2022; the Special Award for intelligent machine tools and its processing units or parts comprehensively selected among all participating products, and the Excellent Award for Numerical Control Machine Tools Key Components Category.
- CRB Series Crossed Roller Bearing won the High Distinction Award in the 2nd “Award of Robotic System Integration ARSI - Innovative Application R&D Category - Robot and Key Components R&D Group” in 2021 by the Bureau of Industry, MOEA.
- Equipment Front End Module was awarded the High Distinction Award in the 2nd “Award of Robotic System Integration ARSI - Innovative Application R&D Category - System Integration Application Group” in 2021 by the Bureau of Industry, MOEA.
- HIWIN was recognized as one of the “Excellent Units for Green Purchase” by the Environmental Protection Administration, Executive Yuan for its promotion on green purchase.
- Mr. Eric, Y. T. Chuo, the President of HIWIN Group, was ranked 39th in the 2022 Top 100 Taiwan CEOs by Harvard Business Review, and has been honored and recognized for four consecutive years.
- Sponsored Taiwan Society for Precision Engineering (TSPE) to hold the “TSPE Research Project and Paper Competition”.
- HIWIN collaborated with 30 machinery partners to establish the “Advanced Intelligent Manufacturing Alliance”.
- HIWIN Singapore collaborated with Thai-German Institute (TGI) to cultivate automation intelligence professionals.

III. Corporate Governance Report

i. Organization System

(i) Organization Chart



(ii) Operating Functions of Each Department

- **Audit Office**
Corporate operating risk assessment and regular audits.
- **Chairman’s Office**
Establishment of business objectives, promotion of major plans, operational performance evaluation and analysis, event planning, brand management, legal management, and intellectual property management.
- **Human Resource Department**
Planning and management of human resources, the selection, cultivation, and retention of talents, as well as employee education and training.
- **Labor Safety and Environmental Protection Department**
Responsible for environmental protection and health business, labor safety and health, and plant security management.
- **Management Department**
Establishing and maintaining the management systems of general affairs and other affairs.
- **Financial Department**
Budget analysis and capital planning, project planning regarding finance, accounting, taxation and related matters, as well as the evaluation and management of foreign subsidiaries and reinvested companies.
- **Purchasing Department**
Domestic procurement of production equipment and raw materials.
- **Storage and Transport Department**
Storage management of raw materials, semi-finished products, and finished products, as well as product shipping operations.
- **Information Office**
Planning, establishing and managing for information security, software and hardware of the Company, and developing information operation management system for the Company
- **Global Marketing Business Group**

Marketing management, market survey, new product planning, market expanding, customer service, and foreign procurement.

- **Foreign Subsidiaries**

Marketing management, market survey, new product planning, market expanding, customer service, and back-end processing manufacturing.

- **Production Business Group**

Manufacturing of products, including ballscrews, linear Guideways, linear bearings, special bearings, strain wave gears and robots.

- **System Development Business Group**

Development, design, assembly, and maintenance of equipment; research, development, and manufacturing of system products; maintenance of the power system of the plant.

- **Production Development Business Group**

Research and development of new products and sub-system products; graphic design and customer's technical consultation.

- **Project Development Department**

Research and development of major new products and equipment, as well as the planning and execution of projects.

- **Quality Assurance Department**

Establishment, implementation, and audit of product quality system, as well as quality management related matters.

● **ii. Information of Directors and Major Managerial Officers**

● **(i) Information of Directors**

March 31, 2023

Unit: Shares; %Title	Nationality or Place of Registration	Name	Gender and Age	Inauguration Date	Term of Office	Commencement Date of the 1 st Term	Shares Held When Appointed		Shares Held Currently		Shares Currently Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Position(s) Held Concurrently in This Company and/or Other Companies	Other Managerial Officers, Directors, or Supervisors Who are the Spouses or Relatives Within the Second Degree of Kinship			Remarks		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship			
Chairman	Taiwan	Eddie W.H. Chuo	M 51~60 Years Old	20220627	3Years	19930816	6,828,702	2.00%	6,845,702	1.93%	420,676	0.11%	-	-	MBA at Dominican University of California, USA Executive Vice General Manager of HIWIN Technologies Corp. Executive Director of Taiwan Machine Tool & Accessory Builders' Association (TMBA) Director of Taiwan Association of Machinery Industry (TAMI) Member of the Youth Committee of the Chinese National Federation of Industries (CNFI) Supervisor of Taiwan Electronic Equipment Industry Association (TEEIA)	Co-CEO of HIWIN Technologies Corp. Serves as Chairman: - CEO of Matrix Precision Co., Ltd. - HIWIN Investment and Holding Corp. - HIWIN Corporate Management Co., Ltd. - HIWIN USA Vice Chairman of Eterbright Solar Corp. Chairman of HIWIN Japan Serves as Director: - HIWIN Singapore - HIWIN South Korea - HIWIN Italy - Matrix company in UK - HIWIN Education Foundation - Ever Fortune AI Co., Ltd. (Legal Representative)	Director	Eric, Y. T. Chuo	Father and Son	Hsiu-Yu Chuo	Brother and Sister	-

Unit: Shares; %Title	Nationality or Place of Registration	Name	Gender and Age	Inauguration Date	Term of Office	Commencement Date of the 1 st Term	Shares Held When Appointed		Shares Held Currently		Shares Currently Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Position(s) Held Concurrently in This Company and/or Other Companies	Other Managerial Officers, Directors, or Supervisors Who are the Spouses or Relatives Within the Second Degree of Kinship			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Vice Chairman	Taiwan	Chin Tsai Chen	M 71~80 Years Old	20220627	3 Years	19891203	3,933,376	1.15%	4,053,411	1.14%	3,303,830	0.93%	-	-	<p>Master of Public Administration at University of San Francisco</p> <p>Master of Accountancy at Tamkang University</p> <p>Honorary PhD at Tamkang University</p> <p>Director of Namchow Chemical Industrial Co., Ltd.</p> <p>General Manager of Namchow Chemical Industrial Co., Ltd.</p>	<p>Serves as Chairman:</p> <ul style="list-style-type: none"> - CEO of Win Semiconductors Corp. -ITEQ Corp. -Wen Ying Venture Capital Investment Co., Ltd. (Legal Representative) - Wen An Investment Co., Ltd. (Legal Representative) - Wen Zhan Investment Co., Ltd. (Legal Representative) - Ban Mao Investment Co., Ltd. (Legal Representative) - Phalanx Biotech Group, Inc. (Legal Representative) - Winlux Biomedical Technology Co., Ltd. (Legal Representative) <p>Serves as Director:</p> <ul style="list-style-type: none"> - Mercuries Insurance Co., Ltd. (Legal Representative) - i-Chainwin Technology Co., Ltd. (Legal Representative) - Taiwan New Economy Foundation <p>Serves as Independent Director:</p> <ul style="list-style-type: none"> - Kinsus Interconnect Technology Corp. - Tong Hsing Electronic Industries, Ltd. - Inventec Besta Co., Ltd. <p>Serves as Supervisor:</p> <ul style="list-style-type: none"> - Excellence Sporting Goods Co., Ltd. - Comax Sporting Goods Co., Ltd. 	-	-	-	-

Director	Taiwan	Eric, Y. T. Chuo	M 71~80 Years Old	20220627	3 Years	19890926	10,972,759	3.21%	10,990,759	3.10%	1,300,320	0.36%	-	-	<p>Master of Public Administration at University of San Francisco, USA</p> <p>Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology</p> <p>Honorary Doctor of Philosophy at National Chung Cheng University</p> <p>Honorary Doctor of Engineering at National Taiwan University of Science and Technology</p> <p>Honorary Doctor of Philosophy at National Tsing Hua University</p> <p>Honorary Doctor of Philosophy at China Medical University</p> <p>Chairman of Matrix Precision Co., Ltd.</p> <p>Legal Representative and Chairman of HIWIN Mikrosystem Corp.</p> <p>Founding Chairman of Taiwan Automation Intelligence and Robotics Association (TAIROA)</p> <p>Honorary</p>	<p>CEO of HIWIN Technologies Corp.</p> <p>Serves as Chairman: - Eterbright Solar Corp. - HIWIN Germany</p> <p>Legal Representative, Vice Chairman and CEO of HIWIN Mikrosystem Corp.</p> <p>Serves as Director: - Legal Representative and Co-CEO of Matrix Precision Co., Ltd. - HIWIN Investment and Holding Corp. - HIWIN Education Foundation - Asia University</p>	Chairman Director	Eddie W.H. Chuo Hsiu-Yu Chuo	Father and Son Father and Daughter	-
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Unit: Shares; %Title	Nationality or Place of Registration	Name	Gender and Age	Inauguration Date	Term of Office	Commencement Date of the 1 st Term	Shares Held When Appointed		Shares Held Currently		Shares Currently Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Position(s) Held Concurrently in This Company and/or Other Companies	Other Managerial Officers, Directors, or Supervisors Who are the Spouses or Relatives Within the Second Degree of Kinship			Remarks	
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship		
														Chairman of Taiwan Machine Tool & Accessory Builders' Foundation (TMBA)							
Director	Taiwan	Enid H.C. Tsai.	F 61~70 Years Old	20220627	3 Years	19890926	4,120,010	1.20%	4,260,740	1.20%	-	-	-	-	Doctor of Organizational Psychology at Phillips Graduate Institute Standing Director of Taiwan Machine Tool and Components Industry Association (TMBA)	General Manager and Co-CEO of HIWIN Technologies Corp. Serves as Chairwoman: - HIWIN Healthcare Corp, - Chairwoman and CEO of HIWIN Education Foundation Chairwoman of HIWIN Japan Serves as Director : - HIWIN USA - HIWIN China - HIWIN South Korea - HIWIN Investment and Holding Corp. - Director of Taiwan Design Research Institute(TDRI) - Managing Director of Precision Machinery Research Development Center (PMC) - Chairwoman of Taiwan Excellent Brand Association (TEBA)	-	-	-	-	
Director	Taiwan	Shun-Chin Lee	M 61~70 Years Old	20220627	3Years	19891203	8,509,232	2.49%	8,952,011	2.53%	107,957	0.03%	-	-	Completion of Advanced Management Program at University of California, Berkeley, USA Completion of EMBA Enterprise Summit Class at Feng Chia University	Serves as Chairman: -Market Finder Corp. -Na Qiang Ltd. -Zhen Yong Ltd. -Yong Qiang Ltd. (Legal Representative) Serves as Director : -Eterbright Solar Corp. -HIWIN Mikrosystem Corp. (Legal Representative)	-	-	-	-	

Unit: Shares; %Title	Nationality or Place of Registration	Name	Gender and Age	Inauguration Date	Term of Office	Commencement Date of the 1 st Term	Shares Held When Appointed		Shares Held Currently		Shares Currently Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Position(s) Held Concurrently in This Company and/or Other Companies	Other Managerial Officers, Directors, or Supervisors Who are the Spouses or Relatives Within the Second Degree of Kinship			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Director	Taiwan	Hsiu-Yu Chuo	F 41~50 Years Old	20220627	3Years	20220627	5,200,217	1.52%	5,358,912	1.51%	7,061	0.00%	-	-	Master of Business Administration at Baruch College, the City University of New York Secretary at CFO's Office of Bank of SinoPac. Vice Chairwoman of HIWIN Mikrosystem Corp.	Chairwoman and Vice CEO of HIWIN Mikrosystem Corp. Chairwoman of HIWIN Japan Serves as Director : -HIWIN USA -HIWIN Singapore -Eterbright Solar Corp. -HIWIN Investment and Holding Corp. -HIWIN Corporate Management Co., Ltd. Vice Chairwoman and Co-CEO of Matrix Precision Co., Ltd.	Chairman Director	Eddie W.H. Chuo Eric, Y. T. Chuo	Brother and Sister Father and Daughter	-
Director	Taiwan	Sanko Investment Co., Ltd.	-	20220627	3Years	20040630	4,120,000	1.20%	4,245,730	1.20%	-	-	-	-	Supervisor of HIWIN Technologies Corp.	Director of Tung Kang Industrial Co., Ltd.	-	-	-	-
		Representative: Chin-g-Yi Huan g	F 51~60 Years Old	20220627		20190928	-	0.00%	322	0.00%	-	-	-	-	Graduated from the Department of International Trade, Fu Jen University MBA at Old Dominion University, USA	Serves as Chairwoman: -Sanko Investment Co., Ltd. -Tofriends Foundation Serves as Supervisor: -Sunrich Steel Industrial Co., Ltd. -Ming Cang Investment Co., Ltd.	-	-	-	-
Independent Director	Taiwan	Chen-g-He Chian g	M 61~70 Years Old	20220627	3Years	20080624	-	-	-	-	242,489	0.06%	-	-	Master of Public Administration at National Chengchi University Chief Auditor at Audit Office of the Board of Directors of Taiwan Financial Holding Co., Ltd.	Convener of the Company's Audit Committee, Remuneration Committee, and Nominating Committee	-	-	-	-

Unit: Shares; %Title	Nationality or Place of Registration	Name	Gender and Age	Inauguration Date	Term of Office	Commencement Date of the 1 st Term	Shares Held When Appointed		Shares Held Currently		Shares Currently Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Position(s) Held Concurrently in This Company and/or Other Companies	Other Managerial Officers, Directors, or Supervisors Who are the Spouses or Relatives Within the Second Degree of Kinship			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Taiwan	Chen g-Yuan Chen	M 61~70 Years Old	20220627	3Years	20220627	-	-	-	-	-	-	-	<p>Master and Doctor of Finance at University of Texas at Dallas, USA</p> <p>Master of Business Administration at National Chengchi University</p> <p>Bachelor of Business Administration at National Chiao Tung University</p> <p>President of National Kaohsiung First University of Science and Technology</p> <p>CEO of Higher Education Evaluation and Accreditation Council of Taiwan</p> <p>Independent Director of Tobacco and Liquor Monopoly Bureau</p> <p>Director of HIWIN Education Foundation</p>	<p>Member of the Company's Audit Committee, Remuneration Committee, and Nominating Committee</p> <p>President of I-Shou University</p> <p>Chairman of Chinese Management Association</p> <p>Vice Chairman of Taipei Independent Directors Association</p> <p>Director of Financial Ombudsman Institution</p> <p>Director of Foundation for International Cooperation in Higher Education of Taiwan</p> <p>Director of College Entrance Examination Center</p>	-	-	-	-	

Unit: Shares; %Title	Nationality or Place of Registration	Name	Gender and Age	Inauguration Date	Term of Office	Commencement Date of the 1 st Term	Shares Held When Appointed		Shares Held Currently		Shares Currently Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Position(s) Held Concurrently in This Company and/or Other Companies	Other Managerial Officers, Directors, or Supervisors Who are the Spouses or Relatives Within the Second Degree of Kinship			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Taiwan	Huey-Hsiu Lee	F 61~70 Years Old	20220627	3Years	20220627	-	-	-	-	-	-	-	Studying in the class of Executive Master of Business Administration at National Taiwan Normal University Vice Manager of Taipei Branch, Mega International Commercial Bank	Member of the Company's Audit Committee, Remuneration Committee, and Nominating Committee	-	-	-	-	

Note: Where the Chairperson of the Board of Directors and the General Manager or the person of an equivalent position (the managerial officer at the highest level) of the Company are the same person, spouses, or relatives within the first degree of kinship: None

1. Major Shareholders of Corporate Shareholder

March 31, 2023

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder	
Sanko Investment Co., Ltd.	Ching-Yi Huang	33.33%
	Yi-Cang Huang	33.33%
	Xiao-Yu Huang	33.33%

2. Information Disclosure of Directors' Professional Qualifications and Independent Directors' Independence

Name	Requirements	Professional Qualifications and Experiences	Independence Status (Note 2)	Number of Other Public Companies Where the Posts of Independent Directors are Held Concurrently
Chairman: Eddie W.H. Chuo		For information regarding the professional qualifications and experiences of the Directors, please refer to "Information of Directors" on this Annual Report . None of the Directors are involved in any of the situations specified in Article 30 of the Company Act (Note 1).	<ol style="list-style-type: none"> 1. Concurrently serves as the Company's Co-CEO, who is categorized as a managerial officer. 2. Concurrently serves as a Director of affiliated companies. 3. Ranks among the top 10 natural person shareholders of the Company. 4. Serves as the Chairman of the corporate shareholder that holds five percent or more of the total number of issued shares of the Company. 5. Director Eric, Y. T. Chuo and Director Hsiu-Yu Chuo are his relatives within the second degree of kinship. 6. The rest have all been verified in accordance with the independence requirements specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements. 	0
Vice Chairman: Chin Tsai Chen			<ol style="list-style-type: none"> 1. He and his spouse hold more than 1% of the total issued shares of the Company. 2. The rest have all been verified in accordance with the independence requirements specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements. 	3
Director: Eric, Y. T. Chuo			<ol style="list-style-type: none"> 1. Concurrently serves as the Company's CEO, who is categorized as a managerial officer. 2. Concurrently serves as a Director of affiliated companies. 3. Ranks among the top 10 natural person shareholders of the Company. 4. Director Eddie W.H. Chuo and Director Hsiu-Yu Chuo are his relatives within the second degree of kinship. 5. The rest have all been verified in accordance with the independence requirements specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements. 	0

Director: Enid H.C. Tsai.		<p>1. The General Manager of the Company, who is categorized as a managerial officer.</p> <p>2. She holds more than 1% of the total issued shares of the Company.</p> <p>3. The rest have all been verified in accordance with the independence requirements specified in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements.</p>	0
Director: Hsiu-Yu Chuo		<p>1. Concurrently serves as the Vice CEO of an affiliated company.</p> <p>2. Concurrently serves as a Director of affiliated companies.</p> <p>3. She and her spouse hold more than 1% of the total issued shares of the Company.</p> <p>4. Director Eric, Y. T. Chuo and Director Eddie W.H. Chuo are her relatives within the second degree of kinship.</p> <p>5. The rest have all been verified in accordance with the independence requirements specified in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements.</p>	0
Director: Shun-Chin Lee		<p>1. Serves as a Director of an affiliated company.</p> <p>2. Ranks among the top 10 natural person shareholders of the Company.</p> <p>3. The rest have all been verified in accordance with the independence requirements specified in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements.</p>	0
Director: Sanko Investment Co., Ltd. Legal Representative: Ching-Yi Huang		<p>1. Serves as the Corporate Director of the Company.</p> <p>2. The rest have all been verified in accordance with the independence requirements specified in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervision Commission, and they meet the relevant independence requirements.</p>	0
Independent Director: Cheng-He Chiang		<p>In compliance with the provisions prescribed in the Articles of Corporation and “Corporate Governance Practice Principles” of the Company, the directors of the Company’s Board of Directors were elected through a candidate nomination system, and the relevant information provided by each director, such as written statements and work experiences, have all been obtained by the Company to verify and confirm their qualification for independence when the members of the Board of Directors were nominated for election. The Company has also verified that during the two years before being elected or during the term of office, the three independent directors listed on the left meet the qualification requirements set forth in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervision Commission and Article 14-2 of the Securities and Exchange Act, and the independent directors have all been given the power to fully participate in the decision-making process and to express opinions in accordance with Article 14-3 of the Securities and Exchange Act, so as to perform independently the relevant duties.</p>	0
Independent Director: Cheng-Yuan Chen			0
Independent Director:, Huey-Hsiu Lee			0

Note 1: A person to whom any of the following circumstances applies may not serve as a managerial officer, or if already serving in such capacity, shall ipso facto be discharged:

1. has committed an offense as specified in the Organized Crime Prevention Act and subsequently been adjudicated guilty by a conclusive judgement, and the sentence has not been enforced or its enforcement has not been completed, or not more than five years have elapsed since the completion of sentence, expiration of the probation, or pardon of such punishment;
2. has committed the offense of fraud, breach of trust, or misappropriation and subsequently been punished with imprisonment by a conclusive judgement for a term of at least one year, and the sentence has not been enforced or its enforcement has not been completed, or not more than two years have elapsed since the completion of sentence, expiration of the probation, or pardon of such punishment;
3. has been adjudicated guilty by a final judgement of an offense under the Anti-Corruption Act and the sentence has not been enforced or its enforcement has not been completed, or not more than two years have elapsed since the completion of sentence, expiration of the probation, or pardon of such punishment;
4. has been adjudicated bankrupt or ordered by court to commence liquidation proceedings, and having not been reinstated to his rights and privileges;
5. has been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. has no or only limited legal capacity;
7. subject to an order of commencement of assistantship and the order has not been revoked yet.

Note 2:

1. Not a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act
2. Serves as an independent director of no more than three other public companies.
3. During the two years before being elected or during the term of office, none of the following circumstances applies:
 - (1) An employee of the Company or any of its affiliates.
 - (2) A director or supervisor of the Company or its affiliates (however, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
 - (3) A natural person shareholder who holds shares, together with those held by the person's spouse, minor child, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
 - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the preceding subparagraph (2) and (3).
 - (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27 of the Company Act.
 - (6) If a majority of the Company's director seats or voting shares and those of that other company are controlled by the same person: a director, supervisor or employee of that other country.
 - (7) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at that other company or institution are the same person or are spouses: a director, supervisor or employee of that other company or institution.
 - (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial business relationship with the Company.
 - (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliates of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliates of the Company for which the provider in the past two years has received cumulative compensation less than NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the Remuneration Committee of the Company.

3. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors:

To strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Board of Directors of the Company has adopted the establishment and revision resolutions of the Corporate Governance Practice Principles of the Company. According to Article 20 of the Principles and Article 3 of the Regulations Governing the Election of Directors, board members should possess knowledge, skills, and qualities necessary for their duties. The overall abilities that the board should possess include operational judgement ability, accounting and financial analysis ability, operating and management ability, crisis handling ability, industry knowledge, international market perspective, leadership ability and decision making ability. Therefore, the objective is set to have at least three people for each item.

(2) Specific Management Objectives:

The Board of Directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and the shareholders. The operations and arrangements of the Company's governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws and acts, its Articles of Corporation, and resolutions of its shareholders' meeting. In addition, the composition of the Board of Directors shall be determined by taking diversity into consideration, and that an appropriate policy on diversity based on the Company's business

operations, operation type, and development needs be formulated. The Company also focuses on gender equality in the composition of the Board of Directors, and the goal is to have at least three female directors.

(3) Current Achievement Status and Overall ability of the Board of Directors:

The board members of the Company have rich experience and expertise in the fields of finance, business, and management. In addition, the Company also values gender equality among board members. Currently, there are four female directors among ten directors of the Board, which reaches 40% on proportion of female directors among board members. When selecting board members, the Company also evaluates their abilities in areas such as management skills, crisis handling ability, financial and accounting expertise. The goal is to have at least three qualified directors for each capability area to implement the diversity policy of the Company on board members. The specific implementation status is as follows, and all of which are in line with the management objectives of the Company:

Management Objectives	Achievement Status
Adequate and diversified professional knowledge and skills	Achieved
Three female directors	Achieved

The Implementation of the Company's Policy on Diversity among Board Members is as follows:

Name of Director	Operational Judgement	Accounting and Finance	Operating and Management	Crisis Handling	Industry Knowledge	International Market Perspective	Leadership Skills	Decision Making Ability
Eddie W.H. Chuo	V		V	V	V	V	V	V
Chin Tsai Chen	V	V	V	V	V	V	V	V
Eric, Y. T. Chuo	V	V	V	V	V	V	V	V
Enid H.C. Tsai	V		V	V	V	V	V	V
Shun-Chin Lee	V		V	V			V	V
Hsiu-Yu Chuo	V	V	V	V	V	V	V	V
Sanko Investment Co., Ltd. Legal Representative: Ching-Yi Huang	V	V		V		V		V
Cheng-He Chiang		V				V		
Cheng-Yuan Chen		V				V	V	V
Huey-Hsiu Lee		V						
Target Seats	3	3	3	3	3	3	3	3
Seats Acquired	7	7	6	7	5	8	7	8
Achievement Rate	100%	100%	100%	100%	100%	100%	100%	100%

Name of Director	Nationality	Gender	Concurrently Serving as an Employee of the Company	Age (years)			Industry Experience			Professional Capacity		
				Under 60	61-70	71-80	Finance	Technology	Industry	Accounting	Legal	Risk Management
Eddie W.H. Chuo	Taiwan	M	V	V				V	V		V	V
Chin Tsai Chen	Taiwan	M				V		V	V	V	V	V
Eric, Y. T. Chuo	Taiwan	M	V			V	V	V	V	V	V	V
Enid H.C. Tsai	Taiwan	F	V		V			V	V		V	V
Shun-Chin Lee	Taiwan	M			V				V			V
Hsiu-Yu Chuo	Taiwan	F		V			V	V	V	V	V	V

Name of Director	Nationality	Gender	Concurrently Serving as an Employee of the Company	Age (years)			Industry Experience			Professional Capacity		
				Under 60	61-70	71-80	Finance	Technology	Industry	Accounting	Legal	Risk Management
Sanko Investment Co., Ltd. Legal Representative: Ching-Yi Huang	Taiwan	F		V					V	V		V
Cheng-He Chiang	Taiwan	M			V		V			V		V
Cheng-Yuan Chen	Taiwan	M			V		V			V		V
Huey-Hsiu Lee	Taiwan	F			V		V			V		V

(4) Independence of the Board of Directors:

The 12th Board of Directors of the Company consists of 10 directors, including 7 non-employee directors, accounting for 70%, and 3 independent directors, accounting for 30%. There are 3 directors who are relatives within the second degree of kinship, accounting for 30%. There is no spousal relationship or familial relationship within the second degree of kinship among independent directors or among independent directors and directors, which meets the requirements specified in Subparagraph 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(ii) Information of General Managers, Vice General Managers, Assistant Managers, and Managerial Officers of Departments and Branches

March 31, 2023

Title	Nationality	Name	Gender	Inauguration Date (Note 1)	Shares Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Positions Concurrently Held in Other Companies	Managerial Officers Who are Spouses or Relatives Within the Second Degree of Kinship			Remarks
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chief Executive Officer	Taiwan	Eric, Y. T. Chuo	M	20190628	10,990,759	3.10%	1,300,320	0.36%	-	-	Master of Public Administration at University of San Francisco, USA Honorary Doctor of Engineering at National Kaohsiung First University of Science and Technology Honorary Doctor of Philosophy at National Chung Cheng University Honorary Doctor of Engineering at National Taiwan University of Science and Technology Honorary Doctor of Philosophy at National Tsing Hua University Honorary of Philosophy at China Medical University Chairman of Matrix Precision Co., Ltd. Legal Representative and Chairman of HIWIN Mikrosystem Corp. Founding Chairman of Taiwan Automation Intelligence and Robotics Association (TAIROA) Honorary Chairman of Taiwan Machine Tool & Accessory Builders' Foundation (TMBA)	Serves as Chairman: -Eterbright Solar Corp. -HIWIN Germany Legal Representative, Vice Chairman and CEO of HIWIN Mikrosystem Corp. Serves as Director : -Legal Representative and Co-CEO of Matrix Precision Co., Ltd. -HIWIN Investment and Holding Corp. -HIWIN Education Foundation -Asia University	Chairman and Co-CEO	Eddie W.H. Chuo	Father and Son	-
Chairman and Co-CEO	Taiwan	Eddie W.H. Chuo	M	20190628	6,845,702	1.93%	420,676	0.11%	-	-	MBA at Dominican University of California, USA Executive Vice General Manager of HIWIN Technologies Corp. Executive Director of Taiwan Machine Tool & Accessory	Serves as Chairman: -CEO of Matrix Precision Co., Ltd. -HIWIN Investment and Holding Corp. -HIWIN Corporate Management Co., Ltd. -HIWIN USA	CEO	Eric, Y. T. Chuo	Father and Son	-

Title	Nationality	Name	Gender	Inauguration Date (Note 1)	Shares Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Positions Concurrently Held in Other Companies	Managerial Officers Who are Spouses or Relatives Within the Second Degree of Kinship			Remarks
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
											<p>Builders' Association (TMBA)</p> <p>Director of Taiwan Association of Machinery Industry (TAMI)</p> <p>Member of the Youth Committee of the Chinese National Federation of Industries (CNFI)</p> <p>Supervisor of Taiwan Electronic Equipment Industry Association (TEEIA)</p>	<p>Vice Chairman of Eterbright Solar Corp.</p> <p>Chairman of HIWIN Japan</p> <p>Serves as Director :</p> <ul style="list-style-type: none"> -HIWIN Singapore -HIWIN South Korea -HIWIN Italy -Matrix company in UK -HIWIN Education Foundation -Ever Fortune.AI Co., Ltd. (Legal Representative) 				
General Manager and Co-CEO	Taiwan	Enid H.C. Tsai.	F	20190628	4,260,740	1.20%	-	-	-	-	<p>Doctor of Organizational Psychology at Phillips Graduate Institute</p> <p>Legal Representative and Director of Matrix Precision Co., Ltd.</p>	<p>Serves as Chairwoman:</p> <ul style="list-style-type: none"> -HIWIN Healthcare Corp. -Chairwoman and CEO of HIWIN Education Foundation <p>Chairwoman of HIWIN Japan</p> <p>Serves as Director :</p> <ul style="list-style-type: none"> - HIWIN USA - HIWIN China - HIWIN South Korea - HIWIN Investment and Holding Corp. - Director of Taiwan Design Research Institute(TDRI) - Managing Director of Precision Machinery Research Development Center (PMC) - Chairwoman of Taiwan Excellent Brand Association (TEBA) 	-	-	-	-
Senior Vice General Manager of Financial Department	Taiwan	Yue-Qin Wu	F	20200401	214,918	0.06%	-	-	-	-	<p>Master of Business Administration at Feng Chia University</p> <p>Vice General Manager of HIWIN Technologies Corp.</p>	<p>Legal Representative and Director of Eterbright Solar Corp.</p> <p>Serves as Director:</p> <ul style="list-style-type: none"> -HIWIN China -Matrix Precision Co., Ltd. 	-	-	-	-
Senior Vice General Manager of Marketing Business Group	Taiwan	Yan-Qi Peng	F	20211105	35,077	0.00%	-	-	-	-	<p>Master of Computer Science and Information Engineering at University of South California</p>	<p>Chairman of HIWIN China</p> <p>Director of HIWIN USA</p>	-	-	-	-

Title	Nationality	Name	Gender	Inauguration Date (Note 1)	Shares Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Others		Work Experience and Education	Positions Concurrently Held in Other Companies	Managerial Officers Who are Spouses or Relatives Within the Second Degree of Kinship			Remarks
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
											Vice General Manager of HIWIN Technologies Corp.					
Assistant General Manager for Chairman's Office	Taiwan	Jun-Liang Wu	M	20180201	20,826	0.00%	-	-	-	-	Master of Industrial Engineering at National Tsing Hua University Assistant Manager of HIWIN Technologies Corp.	-	-	-	-	-
Assistant General Manager for Chairman's Office	Taiwan	Chuang-Bao Yang	M	20200401	6,419	0.00%	13,761	0.00%	-	-	Master of Mechanical Engineering at Chung Hsing University Senior Assistant Manager of HIWIN Technologies Corp.	Director and General Manager of HIWIN Italy	-	-	-	-
Assistant General Manager of System Development Business Group	Taiwan	Fu-Qing Wang	M	20190301	55,452	0.01%	-	-	-	-	Master of Mechanical Engineering at National Chung Cheng University Assistant Manager of HIWIN Technologies Corp.	Vice General Manager of Matrix Precision Co., Ltd. Director of HIWIN Education Foundation	-	-	-	-
Assistant General Manager of Financial Department	Taiwan	Ke-Huang Liao	M	20170801	48,445	0.01%	-	-	-	-	Master of Accounting at Chung Hsing University Managing Assistant Manager of HIWIN Technologies Corp.	Serves as Director : - HIWIN Italy - Representative of Corporate Director of HIWIN Mikrosystem Corp. -HIWIN Education Foundation Serves as Supervisor: -HIWIN Japan -Eterbright Solar Corp. -Matrix company in Suzhou	-	-	-	-
Assistant General Manager for Chairman's Office	Taiwan	Wen-Bin Lee	M	20210701	19,174	0.00%	-	-	-	-	Master of Mechanical Engineering at Feng Chia University Managing Assistant Manager of HIWIN Technologies Corp.	-	-	-	-	-
Assistant General Manager for Chairman's Office	Taiwan	Shi-Rong Chiu	M	20211105	10,670	0.00%	5,618,527	1.58%	-	-	Master of Business Administration at University of Massachusetts, USA Assistant Manager of HIWIN Technologies Corp.	Director and General Manager of HIWIN USA	-	-	-	-
Assistant General Manager for Chairman's Office	Taiwan	Hong-Ming Chen	M	20211105	16,690	0.00%	-	-	-	-	Graduated from the Department of Accounting at National Taiwan University Assistant Manager of HIWIN Technologies Corp.	General Manager of HIWIN China Director of Matrix company in Suzhou	-	-	-	-

Note 1: It indicates the inauguration date of the current positions.

Note 2: Where the General Manager or the person of an equivalent position (the managerial officer at the highest level) are the same person, spouses, or relatives within the first degree of kinship: None

Note 3: It indicates persons currently holding the positions as of the publication date of the annual report.

(iii) Remuneration of Directors and Primary Managers in the past year:

1. Remuneration of Directors and Independent Directors

Unit: NTD Thousand

Title	Name	Director Compensation								Ratio of Total Remuneration (A+B+C+D) to Net Profit After Tax		Relevant Remunerations Received by Directors Who are also Employees								Ratio of Total Compensation (A, B, C, D, E, F, and G) to Net Profit After Tax		Compensation Paid to Directors from Reinvestment Business Other Than the Company's Subsidiary (Note 3)
		Remuneration (A)		Pension (B)		Directors' Remuneration (C)		Business Affairs Expense (D)				Salary, Bonus and Special Disbursement (E) (Note 1)		Pension (F)		Employee Remuneration (G) (Note 2)						
		HIWIN	All Companies Listed in the Financial Statements	HIWIN	All Companies Listed in the Financial Statements	HIWIN	All Companies Listed in the Financial Statements	HIWIN	All Companies Listed in the Financial Statements	HIWIN	All Companies Listed in the Financial Statements	HIWIN	All Companies Listed in the Financial Statements	HIWIN	All Companies Listed in the Financial Statements	Cash Amount	Stock Amount	Cash Amount	Stock Amount	HIWIN	All Companies Listed in the Financial Statements	
Chairman	Eddie W.H. Chuo	0	0	0	0	54,526	54,526	360	1,850	1.23%	1.26%	25,253	29,903	72	72	3,260	0	3,260	0	1.86%	2.00%	None
Vice Deputy Chairman	Chin Tsai Chen	0	0	0	0	36,351	36,351	240	240	0.82%	0.82%	0	0	0	0	0	0	0	0	0.82%	0.82%	
Director	Eric, Y. T. Chuo	0	0	0	0	18,175	18,175	120	14,975	0.41%	0.74%	27,497	30,397	192	192	2,900	0	2,900	0	1.09%	1.49%	16,219
	Enid H.C. Tsai.	0	0	0	0	18,175	18,175	120	320	0.41%	0.41%	20,281	20,281	110	110	2,500	0	2,500	0	0.92%	0.92%	None
	Shun-Chin Lee	0	0	0	0	18,175	18,175	120	120	0.41%	0.41%	0	0	0	0	0	0	0	0	0.41%	0.41%	120
	Hsiu-Yu Chuo (Note 4)	0	0	0	0	9,088	9,088	60	176	0.20%	0.21%	0	1,450	0	0	0	0	0	0	0.20%	0.24%	7,966
	Representative of San Hsin Investment Co., Ltd.: Ching-Yi Huang	0	0	0	0	18,175	18,175	120	120	0.41%	0.41%	0	0	0	0	0	0	0	0	0.41%	0.41%	None
Independent Director	Cheng-He Chiang	0	0	0	0	7,271	7,271	2,820	2,820	0.23%	0.23%	0	0	0	0	0	0	0	0	0.23%	0.23%	None
	Ching-Huey Chen (Note 5)	0	0	0	0	2,726	2,726	1,260	1,260	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	
	Li-Ming Tu (Note 5)	0	0	0	0	2,726	2,726	1,260	1,260	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	
	Cheng-Yuan Chen (Note 6)	0	0	0	0	2,726	2,726	1,260	1,260	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	
	Huey-Hsiu Lee (Note 6)	0	0	0	0	2,726	2,726	1,260	1,260	0.09%	0.09%	0	0	0	0	0	0	0	0	0.09%	0.09%	

1. Please state the policy, standards and structure of independent directors' remuneration payment, and describe relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:
The remuneration of independent directors of the company refers to the Company's overall operating performance, future risks and development trends of the industry, also refers to the results of the performance evaluation standards and the contribution to the company to give reasonable remuneration. The salary and compensation committee makes recommendations to the board of directors for resolution.

2. In addition to the disclosures in the above table, the directors of the Company have received remuneration for providing services for all companies in the financial report (such as serving as consultants for non-employees) in the most recent year: None.

Note 1: It includes the company car cost NT\$27,462 thousand and excludes annual salaries of drivers NT\$3,817 thousand.

Note 2 : Employee remunerations were NT\$381,681 thousand in 2022, but the employee remuneration distribution list has not been decided as of the publication date of the annual report. Hence the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3 : Director, Eric, Y. T. Chuo, Director Hsiu-Yu Chuo and Director Shun-Chin Lee served as the CEO, Chairman and Director of Hiwin Mikrosystem Corp with respective salary and business execution fees.

Note 4 : Hsiu-Yu Chuo took office on 2022.06.27 and the amount disclosed is the remuneration after taking the office.

Note 5 : Ching-Huey Chen and Li-Ming Tu resigned on 2022.06.27, and the amount disclosed is the remuneration before resignation.

Note 6 : Cheng-Yuan Chen and Huey-Hsiu Lee took office on 2022.06.27, and the amount disclosed is the remuneration after taking the office.

2. Remuneration of CEO, President and Vice President

Title	Name	Salary (A)		Pension (B)		Bonus and Special Disbursement (C)(Note 1)		Employee Remuneration (D)(Note 2)				Ratio of Total Compensation (A, B, C, and D) to Net Profit After Tax (%)		Compensation Paid to Directors from Reinvestment Business Other Than the Company's Subsidiary (Note 3)
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
CEO	Eric, Y. T.Chuo	24,720	33,513	542	542	65,076	67,384	11,660	-	11,660	-	2.28%	2.52%	16,219
Chairman and Co-CEO	Eddie W.H. Chuo													無
President and Co-CEO	Enid H.C.Tsai.													
Marketing Division Senior Vice President	Yan-Qi Peng													
Finance Division Senior Vice President	Yue-Qin Wu													

Note 1: It includes the company car cost NT\$30,606 thousand and excludes annua salaries of drivers NT\$3,817 thousand.

Note 2: Employee remunerations were NT\$381,681 thousand in 2022, but the employee remuneration distribution list has not been decided as of the publication date of the annual report. Hence the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 3: Eric, Y. T. Chuo served as the CEO of Hiwin Mikrosystem Corp with respective salary.

Remuneration Interval of CEO, President and Vice President

Interval of Remuneration of President and Vice President	Names of President and Vice President	
	The Company	All Reinvestments of the Company
Below NT\$1,000,000		
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)		
NT\$2,000,000 (including) ~ NT\$3,500,000 (excluding)		
NT\$3,500,000 (including) ~ NT\$5,000,000 (excluding)		
NT\$5,000,000 (including) ~ NT\$10,000,000 (excluding)	Yue-Qin Wu	Yue-Qin Wu
NT\$10,000,000 (including) ~ NT\$15,000,000(excluding)	Yan-Qi Peng	
NT\$15,000,000 (including) ~ NT\$30,000,000 (excluding)	Eddie W.H. Chuo, Enid H.C. Tsai.	Enid H.C. Tsai, Yan-Qi Peng
NT\$30,000,000 (including) ~ NT\$50,000,000 (excluding)	Eric, Y. T. Chuo	Eric, Y. T. Chuo, Eddie W.H. Chuo
NT\$50,000,000 (including) ~ NT\$100,000,000 (excluding)		
Above NT\$100,000,000		
Total	5 people	5 people

3. Name of Managers Distributing Employee Remunerations and Distribution Status

March 31, 2023
Unit: NTD Thousand

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of the Total to Net Profit After Tax (%)
General Manager	CEO	Eric, Y. T. Chuo	-	16,390	16,390	0.37%
	Chairman and Co-CEO	Eddie W.H. Chuo				
	President and Co-CEO	Enid H.C. Tsai				
	Finance Division Senior Vice President	Yue-Qin Wu				
	Marketing Division Senior Vice President	Yan-Qi Peng				
	Assistant General Manager of Chairman's Office	Chun-Liang Wu				
	Assistant General Manager of Chairman's Office	Chuang-Bao Yang				
	Assistant General Manager of Chairman's Office	Wen-Bing Lee				
	Assistant General Manager of Chairman's Office	Shih-Rong Chiu				
	Assistant General Manager of Chairman's Office	Hong-Ming Chen				
	Assistant General Manager of Finance Section	Ke-Huang Liao				
	Assistant General Manager of the System Development Business Office	Fu-Ching Wang				

Note 1: Employee remunerations were NT\$381,681 thousand in 2022, but the employee remuneration distribution list has not been decided as of the publication date of the annual report. Hence the remuneration planned to be distributed this year shall be based on practices in previous years.

Note 2: Incumbent at publication date of the annual report.

(iv) Analysis of the ratio of the total remuneration given to directors, president, and vice presidents by the Company and all companies in the consolidated financial statements over the past two years to the net profit after tax in the individual financial report, and description of the relationship between the remuneration policy, standards and packages, procedures for determining remuneration, business performance, and future risks:

1. Analysis of the ratio of the total remuneration given to directors, president and vice presidents by the Company and all companies in the consolidated financial statements over the past two years to the net profit after tax in the individual financial report.

Title /Item	The Company				All companies in the financial report			
	2022		2021		2022		2021	
	Total Amount	Ratio of the total remuneration to net profit after tax %	Total Amount	Ratio of the total remuneration to net profit after tax %	Total Amount	Ratio of the total remuneration to net profit after tax %	Total Amount	Ratio of the total remuneration to net profit after tax %
Directors	281,905	6.29%	228,391	6.46%	307,566	6.87%	253,412	7.18%
CEO, president and vice presidents	101,998	2.28%	97,978	2.77%	113,099	2.52%	106,081	3.00%
Net profit after tax	4,479,381		3,532,230		4,479,381		3,532,230	

Note: 1. The total remuneration of directors, CEO, president, and vice presidents was increased in 2022, compared 2021, mainly because of the increase in net profit after tax in 2022.

2. The total remuneration of directors includes the part of employees receiving relevant remuneration. Therefore, there is overlap with the calculation of the total remuneration of the CEO, president and vice presidents.

2. Association between the remuneration policy, standards and package, procedures for determining remuneration, and business performance and future risks:

(1) Remuneration policy, standards and package:

1. For the remuneration of Company directors, pursuant to the provision prescribed in Article 15 of the Company's Articles of Incorporation, the remuneration of chairman, vice chairman and directors is based on the level of involvement in corporate operations and the value of contribution, in addition to taking consideration of the industry standards in Taiwan and abroad, with authorization for the Board of Directors to resolve. Additionally, in the event of any profits for that year, the Company shall appropriate no higher than 4% of the profits as remuneration of director pursuant to provision prescribed under Article 31 of Articles of Incorporation. The amount of appropriation shall be reviewed by the Salary and Remuneration Committee before submitting to the Board of Directors for discussion and distribution, in addition to reporting to the Shareholders' Meeting.
2. The managers of the Company receive salary like regular employees and shall be paid with various awards, bonuses and welfare, with reasonable remuneration, depending on their operations and profits, as well as their involvement in the Company, the manager's scope of authorization in the Company, employment status and performance evaluation as the overall consideration, the consideration including the Company's core value with practice operational management capacity, financial and business operation performance indicators and the comprehensive management indicators and the evaluation of other special contributions or material negative incidents. The policy of remuneration paid to the managers is based on the Company's "Supervisor Salary Structure Table," "Employee Salary and Treatment Guidelines" and the scope of responsibility for the position in the Company, and the contribution to the Company's operation performance by paying bonus and annual rewards as well as other compensation. Additionally, according to Article 31 of the Company's Articles of Incorporation, if the Company makes a profit in the year, at least 1% of the profits should be set aside as employee compensation. The amount set aside shall be audited by the Remuneration Committee before submitting to the BOD for discussion and distribution, in addition to reporting to the Shareholders' Meeting. The bonus will be distributed by taking consideration the remuneration calculation from the financial operation performance data and non-financial contribution of the department the manager is in charge of, while the remuneration system may be audited appropriately depending on the actual operation and relevant laws.
3. The remuneration package paid by the Company is defined in the provisions of articles of incorporation of Remuneration Committee, which includes cash remuneration, employee option for stock purchase, bonus shares, retirement welfare or unemployment benefits, allowances, and other measures with substantial rewards; the scope and publicly listed companies shall record matters on the annual report with consistency in remuneration for directors and managers.

(2) The Company's procedures for determining the remunerations of the directors, president, and vice presidents:

1. The Company adopts "director performance evaluation and remuneration system," "board performance evaluation method" and "manager performance evaluation and bonus system" as the compliance of assessment. The board remuneration not only takes consideration of the Company's overall operating performance, future risks and development trends of the industry but also conducts self-evaluation questionnaire for internal evaluation. The indicators of assessment include: Company goals and task control, director responsibility recognition, involvement in corporate operation, internal relation management and communication, professional and continuous education for directors (such as corporate governance related courses), and internal control results, as well as the level of contribution to the company by giving reasonable remuneration. The salary remuneration for the president and vice president is based on the Company's rules on "Employee Salary and Treatment Guidelines" with consideration of the performance of the managers and responsible units, the overall corporate management performance, and the association with future risks for distribution. The Remuneration Committee proposes suggestions for the BOD to resolve and review the remuneration system, depending on

the actual operation conditions and relevant laws and regulations, in order to seek for the balance between corporate sustainable management and risk control.

2. The self-evaluation results on the performance of members from 2022 BOD, directors and all functional committees have been excellent. Additionally, in spite of the continuous impact from COVID-19, Sino-US trade war and Russia-Ukraine war, the Company still delivers excellent profit performance with remarkable profits.
 3. The assessment of performance related to the directors and the managers of the Company and salary reasonableness are periodically evaluated and reviewed by the Remuneration Committee and the BOD. Apart from considering the achievement rate by departments in charge and their contribution to the Company, the overall operation performance of the company, and future risks and development trends of the industry are also taken into account. Additionally, the comprehensive consideration of the trends in current corporate governance yields a reasonable remuneration to seek for balance between the Company's sustainable management and risk control. The actual amount distributed for the remuneration to the directors and managers in 2022 was audited by the Remuneration Committee and submitted to the BOD for approval. The ratio of remuneration to employees and directors is 6.2% and 3.1% respectively, in compliance with Company's articles of incorporation.
- (3) Association between operation performance and future risks:
1. The Company's remuneration policy mainly takes consideration of the overall operation of the Company and approve the payment standards depending on the completion rate of performance by department and the level of contribution, which reflects the operation effectiveness of the BOD and management team. Additionally, the Company takes consideration of the industry salary standards to ensure the competitiveness of the salary for the Company's management compared with the industry, in order to retain distinguished management personnel.
 2. The performance goals of the managers are integrated with "risk control" to ensure the possible risks within the scope of responsibility through management and prevention, in addition to approving the evaluation results by actual performance, linking all human resources and related salary remuneration policies. The Company management evaluates the various existing and future risk factors when making material decisions and will act after conducting proper evaluation. The performance of related decisions is reflected on the Company profits and further related to the control performance of management salary and risks.
 3. ◦ Association with future risks: The payment of Company's remuneration takes consideration of the changes in future environment and operation performance before evaluation and adjustment. Moreover, directors and employees breaking the law and bring losses to the Company may be penalized by law and regulations.

iii. Implementation of Corporate Governance

(i) The Operations of Board of Directors

1. The Company reelected directors at the Shareholder's Meeting held on June 27, 2022. The new directors took office from the reelection day on (term commencing from June 27, 2022 and expires on June 26, 2025).
2. The Board of Directors held 8 meeting (A) in 2022. The actual attendance rate of all directors of the board is 100%, with each individual director attendance shown below:

5	Name	No. of Meetings Attended Personally (B)	No. of Meetings Attended by Proxy	Personal Attendance Rate (%) 【 B / A 】	Remark
Chairman	Eddie W.H. Chuo	8	0	100%	Reelected
Deputy Chairman	Chin Tsai Chen	8	0	100%	
Director	Eric, Y. T. Chuo	8	0	100%	
Director	Enid H.C. Tsai.	8	0	100%	
Director	Shun-Chin Lee	8	0	100%	
Director	Hsiu-Yu Chuo	5	0	100%	Newly elected
Director	Representative of San Hsin Investment Co., Ltd.: Ching-Yi Huang	8	0	100%	Previously elected
Independent Director	Cheng-He Chiang	8	0	100%	
Independent Director	Ching-Huey Chen	3	0	100%	Previously elected
Independent Director	Li-Ming Tu	3	0	100%	
Independent Director	Cheng-Yuan Chen	5	0	100%	Newly elected
Independent Director	Huey-Hsiu Lee	5	0	100%	

Other essential information:

1. If the operation of the BOD has any of the following situations, the Board's meeting date, motion period, and opinions of all independent directors and the Company response should be noted: :

(1) Items listed in Article 14-3 of the Securities Exchange Act

Date of Board Meeting (Period)	Motion Content	Opinions of all independent directors and measures taken by the Company.
2022.02.25 20th Session, 11 th Committee	Amendment to "Procedures for Acquiring or Disposing of Assets"	All independent directors passed the proposal without objection.
	Internal adjustment of Deloitte & Touche Taiwan with replacement of CPA	
	Assessment of Independent and Competence of CPA and Employment Remuneration	
	Endorsement Guarantee for Subsidiary Eterbright Solar Corporation	
	Endorsement Guarantee for Subsidiary Matrix Precision CO.,LTD.	
	Japanese subsidiary overdue account transfer funds loan case	
2022.05.10 21st Session, 11 th Committee	Proposal for Japanese subsidiary personnel	
	Lifting ban on 12th board directors and their representatives' restriction of competition	
	Applying for issuance of commons shares for cash capital increase in Taiwan	
	Proposal for Phase III Factory Building in Yunlin Factory III.	
	Endorsement Guarantee for Japanese Subsidiary Factory Building Financing	
	Japanese subsidiary overdue account transfer funds loan case	

2022.06.22 1st Extraordinary BOD Meeting, 11 th Committee	Proposal for Factory Leasing from HIWIN MIKROSYSTEM	
2022.06.27 1st Session, 12 th Committee	Proposal to employ 5 th Remuneration Committee members	This case involves the director's own interests and the discussion and voting for the cases was implemented one by one. As the Company's interests were not harmed, it was passed without objection
	Proposal to employ 2 nd Nomination Committee members	
Proposal to employ 3 rd Audit Committee Members		
2022.07.05 2nd Session, 12 th Committee	Proposal of employee stock options at cash capital increase	All independent directors passed the proposal without objection
	Proposal of manager stock options at cash capital increase	
	Proposal of Plant 1 Factory Dismantling and Reconstruction	
	Japanese subsidiary overdue account transfer funds loan case	
2022.08.10 3rd Session, 12 th Committee	Proposal of Plant 2, Phase VII Factory Building	
	Proposal for Factory 1, Phase 17 Factory Air-conditioning equipment project	
	Endorsement Guarantee for Subsidiary Matrix Precision CO.,LTD.	
	Endorsement Guarantee for Singapore Subsidiary	
	Endorsement Guaranteed for Korea Subsidiary	
	Endorsement Guaranteed for Italy Subsidiary	
2022.10.12 4th Session, 12 th Committee	Japanese subsidiary overdue account transfer funds loan case	
	Proposal of Cash Capital Increase for Eterbright Solar Corporation	
	Endorsement Guarantee for Japanese Subsidiary Factory Building Financing	
2022.11.07 5th Session, 12 th Committee	Japanese subsidiary overdue account transfer funds loan case	
	Proposal of Plant 1, Factory M&E and Air-Conditioning Project	
	Proposal of Plant 2, Phase VII Factory M&E and Air-Conditioning Project	
	Cash Capital increase and Endorsement Guarantee for Subsidiary Matrix	
	Endorsement Guarantee for Subsidiary Matrix Precision Co., Ltd.	
	Endorsement Guaranteed for Italy Subsidiary	
	Endorsement Guaranteed for Korea Subsidiary	
	Japanese subsidiary overdue account transfer funds loan case	
Assessment of Independent and Competence of CPA and Employment Remuneration		

(2) BOD resolutions opposed by other independent directors or with qualified opinions with records or statement in writing: None.

2. For director execution of avoidance of motions involving own-interests, describe the name of director, motion content, reasons for avoiding interests and participation in voting:

2022.02.25 20th Session, 11th Committee:

Amendment to Director Performance Assessment and Salary System

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for independent director Cheng-He Chiang, Ching-Huey Chen, and Li-Ming Tu who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

Proposal for Japanese subsidiary personnel

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for director Enid H.C. Tsai. who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

2022.05.10 21st Session, 11th Committee:

Case of lifting ban on 12th board directors and their representatives' restriction of competition

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for director Eddie W.H. Chuo, Chin Tsai Chen, Eric, Y. T. Chuo, Shun-Chin Lee, Representative of San Hsin Investment Co., Ltd.: Ching-Yi Huang, who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

Amendment to Director Performance Assessment and Salary System

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for independent director Cheng-He Chiang, Ching-Huey Chen, and Li-Ming Tu who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

2022.06.27 1st Session, 12th Committee:

Proposal to employ 5th Remuneration Committee members

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for independent director Cheng-He Chiang, Ching-Huey Chen, and Li-Ming Tu who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

Proposal to employ 2nd Nomination Committee members

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for independent director Cheng-He Chiang, Cheng-Yuan Chen, and Li, Hui-Xiuwho did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

Proposal to employ 3rd Audit Committee Members

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for independent director Cheng-He Chiang, Cheng-Yuan Chen, and Li, Hui-Xiuwho did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

2022.07.05 2nd Session, 12th Committee:

Proposal of employee stock options at cash capital increase

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for director Eddie W.H. Chuo, Eric, Y. T. Chuo, Enid H.C. Tsai, and Hsiu-Yu Chuo who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

Proposal of manager stock options at cash capital increase

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for director Eddie W.H. Chuo, Eric, Y. T. Chuo, Enid H.C. Tsai, and Hsiu-Yu Chuo who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

2022.10.12 4th Session, 12th Committee:

Cash Capital Increase for Subsidiary Eterbright Solar Corporation

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for director Eddie W.H. Chuo, Eric, Y. T. Chuo, Hsiu-Yu Chuo, and Shun-Chin Lee who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

2022.11.07 5th Session, 12th Committee:

Endorsement Guarantee for Subsidiary Matrix Precision CO.,LTD.

Reason for avoiding interests and voting conditions: This case involves the director's own interests. Except for director Eddie W.H. Chuo, Eric, Y. T. Chuo, and Hsiu-Yu Chuo who did not participate in the discussion and voting, the other directors were consulted by the acting chairman for the results. As the Company's interests were not harmed, it was passed without objection.

3. Implementation of the Board of Directors self-assessment:

Assessment Cycle	Assessment Period	Scope of Assessment	Assessment Method	Assessment Content
Once annually	2022.1.1~ 2022.12.31	Include the overall goals, operation and internal control of the Company	Director self-assessment and peer assessment	1. Involvement in corporate operation 2. Improve decision-making quality of BOD 3 Composition and structure of BOD 4. Director election and continuous education 5. Internal control

Assessment Results: Director self-assessment and director peer assessment results are positive with excellent performance.

4. The objectives of strengthening the functions of the board of directors in current year and the most recent year (for example, the establishment of an audit committee, improvement on information transparency...etc.):

- (1) To promote corporate governance and effectively play the functions of the Board of Directors, the Company has established a corporate governance supervisor in accordance with the "Key Compliance for the Establishment and Exercising by the Board of Directors of Publicly Listed Companies,"
- (2) To implement corporate governance and enhance the functions of the board of directors with establishment of performance goals that will strengthen the efficiency of the operation of the Board, the Company has completed the formulation of the Board performance evaluation method, and the evaluation will be executed before the end of Q1 each year. The results of 2022 evaluation are excellent and the Board will report the results of the implementation on February 24, 2023.
- (3) Adhering to the transparency of operations, the shareholders' equity is maintained by voluntarily disclosing the key resolutions of the Board of Directors on company website.
- (4) The goal of board diversification: The Company values the diversification of Board members and chooses directors by their operation and management capabilities, crisis handling capabilities, financial and accounting expertise as well as multiple dimensions in the consideration of director nomination that conform to the company's policy on board diversification. Additionally, the Company specifically values the diversification of gender equality, whereas 4 out of 10 members are female.
- (5) The company upholds to the attitude of information transparency and publishes important resolutions of the Board on the Company's Market Observation Post System (MOPS) or company website for investors to check. In general, three corporate investor meetings are held each year for investors to acquire company related information, increasing investor's identity to the Company. In 2022, a total of two corporate investor meetings were held in May and November.

(ii) The operation of the Audit Committee:

Currently the Audit Committee is formed by 3 independent directors. They are in charge of executing and auditing the fair presentation of the Company’s financial statements, the selection (dismissal) of CPAs and their independence and performance, effective implementation of Company’s internal control, company compliance of related laws and rules, as well as the control over existing or potential risks in the Company. Committee Chairperson and Independent Director Cheng-He Chiang, Independent Director Cheng-Yuan Chen, and Independent Director Li, Hui-Xiuall have expertise in financial, accounting and industry knowledge, which conform to the professional competence needed for the Committee. The main responsibilities are described below:

- (1) Amend the internal control system in accordance with Item 1, Clause 14 of the Securities and Exchange Act.
- (2) Assess the effectiveness of internal control system.
- (3) Establish or amend the procedure of material financial business conducts such as acquiring or disposing of assets, trade on derivative goods, capital loans to others, and endorsement or guarantee for others, in accordance with the provisions set forth in Item 1, Clause 36 of Securities and Exchange Act.
- (4) Matters involving personal interests of the directors.
- (5) Material asset or derivate goods trading.
- (6) Material capital loan, endorsement or provision of guarantee.
- (7) Fundraising. Issuing, or private offering of equity-based negotiable securities.
- (8) Employment, deployment or compensations of CPAs.
- (9) Appointment and dismissal of financial, accounting or internal audit superior.
- (10)Annual and semi-annual financial reports.
- (11) Other major issues under the regulations of the other companies or competent authorities.

2022 Audit Committee Items of Discussion are included below:

- (1) Audit of financial statements and accounting policies and procedures.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Amend the handling procedures for acquiring or disposing of assets, engaging in derivative commodity transactions, loaning funds to others, endorsing others or providing guarantees.
- (4) Material acquisition of assets, capital loaning and endorsement guarantee.
- (5) Raise or issue negotiable securities.
- (6) Qualification, independence, and competence for CPAs.
- (7) Appointment and remuneration of CPAs.
- (8) Legal compliance.
- (9) Fraud prevention plan and fraud investigation.
- (10) Corporate risk management.

Operation Status:

1. The Company reelected independent directors at the Shareholder’s Meeting held on June 27, 2022. The new independent directors took office from the reelection day on (term commencing from June 27, 2022 and expires on June 26, 2025).
2. The Audit Committee held 7 meetings (A) in 2022. The actual attendance rate of independent director attendance is shown below:

Title	Name	No. of meetings attended personally (B)	No. of Meetings Attended by proxy	Personal attendance rate (%) (B / A)	Remark
Convener	Cheng-He Chiang	7	0	100%	RE-elected
Member	Ching-Huey Chen	3	0	100%	Previously elected
Member	Li-Ming Tu	3	0	100%	
Member	Cheng-Yuan Chen	4	0	100%	Newly elected
Member	Huey-Hsiu Lee	4	0	100%	

Other essential information:

1. The operation of the Audit Committee should include one of the following circumstances. The date, period, content of the bill, resolution of the Audit Committee, ad the Company’s handling of the audit committee’s opinions:
 - (1) Matters listed in Item 5, Article 14 of Securities and Exchange Act

Date of Audit Committee Meeting (Period)	Motion Content	Audit Committee Decision Results	The Company's handling of the opinions of the audit committee
2022.02.25 20th Session, 2nd Committee	2021 "Internal Control System Statement"	The chairperson consulted all attending committee members for the proposal, which reached unanimous consent and submitted to the Board of Directors for discussion.	None
	2021 Business Report and Financial Statement		
	2021 Surplus Distribution		
	Amendment to "Procedures for Acquiring or Disposing of Assets"		
	Internal adjustment of Deloitte & Touche Taiwan with replacement of CPA		
	Assessment of Independent and Competence of CPA and Employment Remuneration		
	Endorsement Guarantee for Subsidiary Eterbright Solar Corporation		
	Endorsement Guarantee for Subsidiary Matrix Precision Co., Ltd.		
	Japanese subsidiary overdue account transfer funds loan case		
2022.05.09 21st Session, 2nd Committee	Lifting ban on 12th board directors and their representatives' restriction of competition		
	Applying for issuance of commons shares for cash capital increase in Taiwan		
	Proposal for Phase III Factory Building in Yunlin Factory III.		
	Endorsement Guarantee for Japanese Subsidiary Factory Building Financing		
	Japanese subsidiary overdue account transfer funds loan case		
2022.06.22 1st Extraordinary Audit Committee, 2nd Committee	Proposal for Factory Leasing from HIWIN MIKROSYSTEM		
2022.07.05 1st Session, 3rd Committee	Proposal of employee stock options at cash capital increase		
	Proposal of manager stock options at cash capital increase		
	Proposal of Plant 1 Factory Dismantling and Reconstruction		
	Japanese subsidiary overdue account transfer funds loan case		
2022.08.10 2nd Session, 3rd Committee	2022 Q2 Consolidated Financial Statement		
	Proposal of Plant 2, Phase VII Factory Building		
	Proposal for Factory 1, Phase 17 Factory Air-conditioning equipment project		
	Endorsement Guarantee for Subsidiary Matrix Precision Co., Ltd.		
	Endorsement Guarantee for Singapore Subsidiary		
	Endorsement Guaranteed for Korea Subsidiary		
	Endorsement Guaranteed for Italy Subsidiary		
	Japanese subsidiary overdue account transfer funds loan case		
2022.10.12 3rd Session, 3rd Committee	Proposal of Cash Capital Increase for Eterbright Solar Corporation		
	Endorsement Guarantee for Japanese Subsidiary Factory Building Financing		
	Japanese subsidiary overdue account transfer funds loan case		
2022.11.04 4th Session, 3rd Committee	Proposal of Plant 1, Factory M&E and Air-Conditioning Project		
	Proposal of Plant 2, Phase VII Factory M&E and Air-Conditioning Project		

Cash Capital increase and Endorsement Guarantee for Subsidiary Matrix		
Endorsement Guarantee for Subsidiary Matrix Precision Co., Ltd.		
Endorsement Guaranteed for Italy Subsidiary		
Endorsement Guaranteed for Korea Subsidiary		
Japanese subsidiary overdue account transfer funds loan case		
Assessment of Independent and Competence of CPA and Employment Remuneration		

(2) Except for the pre-opening matters, other resolutions that have been not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None.

2. The implementation status of the independent directors' avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reasons for the avoidance of interests and the situation of participation in voting: None.

3. Communication between the independent directors, internal audit supervisors and accountants (should include major matters, methods and results of communication on the company's financial and business conditions:

(1) A separate meeting between the CPA and the audit supervisor is held at least once a year to discuss the opinions regarding the completed internal audit led by the audit supervisor and the external audit led by the CPA, and to communicate based on items missing from the annual audit.

(2) The internal audit supervisor should regularly report to the Audit Committee

1. The annual internal auditing plan

2. Regularly report to the Audit Committee on the implementation of internal audit matters.

(3) The CPA shall participate in meetings of the Audit Committee at least once every year and report the results of the annual audit.

(4) Others: In the event of major abnormal circumstances, or matters that independent directors, audit supervisors and accountants deem necessary to communicate independently, meetings may be held at any time to facilitate communication.

As of the print date of this annual report, the communication focuses and results between the independent directors and internal audit

supervisors are described below:

Date	Members Present	Communication Focuses	Communication Results
2022.02.25 (Pre-opening meeting of Audit Committee Meeting)	Independent Director Cheng-He Chiang Independent Director Ching-Huey Chen Independent Director Li-Ming Tu Audit Supervisor Shih-Chung Chen	1. Report the audit business focus and results to the independent directors. 2. Present the Company's 2021 internal control system statement.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.
2022.07.05 (Internal audit supervisor report to the BOD separately)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee Audit Supervisor Shih-Chung Chen	Report the audit business focus and results to the independent directors.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.
2022.08.10 (Internal audit supervisor report to the BOD separately)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee Audit Supervisor Shih-Chung Chen	Report the audit business focus and results to the independent directors.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.
2022.10.12 (Internal audit supervisor report to the BOD separately)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-	Report the audit business focus and results to the independent directors.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.

	Hsiu Lee Audit Supervisor Shih-Chung Chen		
2022.11.04 (Pre-opening meeting of Audit Committee Meeting)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee Audit Supervisor Shih-Chung Chen	1. Report the audit business focus and results to the independent directors. 2. Draft the 2023 internal auditing plan.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.
2023.02.24 (Pre-opening meeting of Audit Committee Meeting)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee Audit Supervisor Shih-Chung Chen	1. Report the audit business focus and results to the independent directors. 2. Present the Company's 2022 internal control system statement.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.
2023.05.10 (Internal audit supervisor report to the BOD separately)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee Audit Supervisor Shih-Chung Chen	Report the audit business focus and results to the independent directors.	After discussion and communication, the independent directors do not object the audit business execution and results report and the auditing plan.

As of the print date of this annual report, the communication focuses and results between the independent directors and CPA are described

below:

Date	Members Present	Communication Focuses	Communication Results
2022.02.25 (CPA reports to the Independent Director Separately)	Independent Director Cheng-He Chiang Independent Director Ching-Huey Chen Independent Director Li-Ming Tu CPA Tung-Chun Tseng	1. Accountants explaining the results of the 2021 consolidated financial statements to discuss the findings. 2. Accountant report to the independent directors based on the audit results of internal control. 3. Accountants discuss and communicate over the questions raised by the independent directors.	The annual financial statements are adopted by the audit committee and submitted to the BOD for approval, followed by regular announcement and report to competent authority.
2022.11.04 (CPA reports to the Independent Director Separately)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee CPA Li-Dong Wu	1. Evaluation of fraudulent matters, significant risks and key matter audit report. 2. Accountants discuss and communicate over the questions raised by the independent directors.	The annual financial statements are adopted by the audit committee and submitted to the BOD for approval, followed by regular announcement and report to competent authority.
2023.02.24 (CPA reports to the Independent Director Separately)	Independent Director Cheng-He Chiang Independent Director Cheng-Yuan Chen Independent Director Huey-Hsiu Lee CPA Li-Dong Wu	1. Accountants explaining the results of the 2022 consolidated financial statements to discuss the findings. 2. Accountant report to the independent directors based on the audit results of internal control. 3. Accountants discuss and communicate over the questions raised by the independent directors.	The annual financial statements are adopted by the audit committee and submitted to the BOD for approval, followed by regular announcement and report to competent authority.

(iii) Implementation of Corporate Governance and its Gap from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Causes:

Evaluation Items	Implementation		Summary	Gap from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Causes
	Y	N		
1. Does the Company set and disclose corporate governance best practice principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	V		The Company formulates its own “Corporate Governance Best Practice Principles” according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” which operations does not deviate from the best practice principles formulated by the Company. The Company continues to promote the operation of corporate governance according to the relevant laws and regulations.	None
2. The Company’s shareholding structure and shareholder’s equity (一) Does the company establish an internal operating procedure to deal with shareholder’s suggestions, doubts, disputes, and litigations, and treat them based on the procedure? (二) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shareholders? (三) Does the Company establish and execute the risk management and firewall mechanisms between it and affiliated companies? (四) Does the company formulate internal regulations to prohibit insider trading?	V V V V		(一) The Company has established the relevant internal operation procedure and designated related departments to handle shareholders’ suggestions or disputes. The Company also established a spokesperson system with a specialist handling to replay shareholder questions, doubts, disputes, and litigations. Moreover, a mailbox is set up on the company website to handle employees, suppliers, clients, and shareholders, while the Company’s dedicated department will handle the suggestions and equity related issues. (二) The Company sets up person in charge of the stock affairs and entrusts stock affairs broker institute – Yuanta Securities for controlling the major shareholding by directors, managers and shareholders with 10% or more. The list of major shareholders and ultimate control list of major shareholders are controlled. (三) The Company has established related internal control systems and firewall mechanisms, such as rules governing the management of the subsidiaries and procedures for loan, endorsement and guarantee, according to law and regulations. (四) The Company has established “Procedure for Precaution Against Insider Trading and Internal Material Information Processing” to expressly prohibit insiders from trading marketable securities using undisclosed information; besides, Article 37 of “Corporate Governance Best Practice Principles” also stipulates that board members shall do their duties loyally and note obligations of goodwill manager to exercise duties with high disciplines and prudent attitudes. The Company’s audit department will evaluate if the aforementioned procedure were executed in conformance with the regulations from time to time, the promotion on prevention of insider trading has been stressed in directors and managers. The Company reminds directors not to trade their shares in 30 days before the announcement of the annual financial report and during the closing period 15 days before the announcement of quarterly financial report, after validating each BOD date.	None
3. Composition and Responsibilities of Board of Directors	V		(1) The Company has set the “Corporate Governance Best Practice Principles” which writes that board members	None

Evaluation Items	Implementation			Gap from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Causes
	Y	N	Summary	
<p>(一) Does the Board develop and implement a diversified policy for its members?</p> <p>(二) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee?</p> <p>(三) Does the Company establish the Board of Directors performance assessment standards and methods in addition to periodically conduct performance assessment each year, report the performance evaluation results to the Board and adopt them as reference for individual director salary remuneration and nomination for reelection?</p> <p>(四) Does the Company periodically evaluate the independence of CPAs?</p>	V	V	<p>should pay attention to gender equality and be equipped with knowledge, skills and qualities necessary for performing their duties; it has indeed executed such principles. The company greatly values the integration of diversity among the board of directors. The board of directors should be equipped with proper professional knowledge and skills while members shall possess professional background including operational judgement, accounting and finance, operation management, crisis handling, industry knowledge, international market perspective, leadership, and decision-making capacity, targeting at least 3 seats per field. Moreover, the Company also values the gender equality of member composition of Board of Directors, targeting at female directors with at least 3 people.</p> <p>Implementation in 2022: There are 4 female directors among the 10 directors of the current Board of Directors. The female directors account for 40% of the Board members. The directors have expertise in multiple dimensions including the operation and management capabilities, crisis handling, financial and accounting. At least 3 directors conform to the requirement of each management capabilities currently. The Company directors meet the policy and goals of diversification. The Company chairman leads the Board to implement excellent Board governance system, sound supervision function and strengthening of management functions.</p> <p>(2) According to the law, the Company has established a Remuneration Committee and Audit Committee in addition to new Nomination Committee, which consists of 3 independent directors, aiming to improve the Board function and strengthen the management mechanism.</p> <p>(3) To implement corporate governance and upgrade Board function, establish performance goals and strengthen the operation efficiency of the Board, the Company has formulated the performance assessment of the Board of Directors in accordance with the letter Tai-Zheng-Zhi-Li-Zi No. 1070025395 dated December 27, 2018. The Company's audit department periodically ask director members at the end of each year by completing the self-evaluation questionnaire on the Bord of Directors, Board members and functional committee member. The members will conduct self-evaluation and peer evaluation of the Board performance that year. The performance evaluation results will be reported to the Q1 Board meeting the following year to review and improve. The 2022 Board performance after evaluation was rated excellent without material flaws for improvement, which has been listed in the Board meeting minutes dated February 24, 2023. The evaluation results have been recorded properly and shall be used as reference for the future salary and election of directors.</p> <p>(4) In accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company's Audit Committee periodically evaluates the independence and suitability of evaluating CPA once</p>	

Evaluation Items	Implementation			Gap from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Causes
	Y	N	Summary	
			<p>a year. Apart from requesting the CPA to provide “Statement of Independence” and “Audit Quality Indicators (AQIs),” the evaluation according to Note 8 (11) standards and Item 13 AQI indicators shall be conducted. Except for the attestation and tax case related fees between the CPA and the Company, there are no financial interests and business relations while family members of the CPAs do not breach the requirement for independence. Moreover, the consideration of AQI indicator information verifies that the auditing experience and training hours of the CPA and accounting firm outperform the average peer standards. The independence and suitability evaluation results of CPAs in 2022 were adopted with resolution from the Board of Directors meeting held on November 7, 2022. The evaluation procedures and results are described below:</p> <ol style="list-style-type: none"> 1. Acquisition and reference on AQI provided by CPA: The accounting firm and five constructs of the firm, 13 AQI indicators are evaluated. The Audit Committee analyzes and adopts the AQI indicators to evaluate the overall firm and audit the professionalism, quality control, supervision, and innovative capacity of quality auditors of the audit team. The evaluation shows excellent results. 2. Evaluation of Independence: Deloitte & Touche CPA Li-Dong Wu and CPA Hsiao-Fan Yen (hereinafter referred to as CPAs) and members of Audit Team have presented the letter of Statement of Independence. 3. Evaluation of Suitability: The CPA has not served as director or independent director of the Company, who have not director or indirect or materially indirect financial interests, and is not s shareholder of the Company. The CPA does not receive salary from the Company. The CPA is equipped with professional competence, participates in the Company’s shareholder meeting, and attends the Audit Committee and Board of Director when necessary, and periodically provides educational training to the Company. 4. Conclusion: Deloitte & Touche CPAs have passed the auditing and meet the Company’s independence and suitability evaluation standards of the Company, who qualify as the CPAs of the Company. 	
4. Do TWSE/TPEx Listed Companies designate suitable and proper number of corporate governance personnel, while the corporate governance supervisor is designated with responsibilities in corporate governance related business (including but not limited to providing data needed by directors and supervisors to perform business, handling matters related to the board meeting and shareholders’ meeting according to the law, registering the company and changing the registration, and taking minutes in the board meeting and shareholder’s meeting)?	V		To promote corporate governance and effectively play the functions of the Board of Directors, the Company has set up a full-time corporate governance unit under the jurisdiction of the Company’s finance department in accordance with the provisions of Article 20 and Article 22 of the “Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board’s Exercise of Powers.” The chief officer from the Finance Office serves as the part-time corporate governance supervisor, who has work experience in the material work for finance, stock affairs or auditing. The qualification conforms to the requirement by consolidate the	None

Evaluation Items	Implementation			Gap from Corporate Governance Best Practice Principles for TWSE/TP Ex Listed Companies and the Causes
	Y	N	Summary	
			<p>corporate governance related affairs, under the following primary responsibilities:</p> <p>(一) Responsible for providing information needed for directors to execute the business, prepare meeting related matters for BOD and shareholders' meeting, apply for company registration and change registration, prepare BOD and shareholders' meeting minutes, as well as other corporate governance related matters, assist directors with taking the office and continuing education, provide directors with information needed for executing the business, and assist the directors with legal compliance.</p> <p>(二) Before the Board of Directors consult with the opinions of all directors to plan and formulate the agenda, notify all directors at least 7 days before the meeting for attendance and provide relevant meeting materials, so that the directors can understand the content of the relevant issues in advance.</p> <p>(三) Register the date of shareholder's meeting before the time limit prescribed by the law every year. Prepare and report the meeting notice, proceedings manual and proceedings in accordance with the law, and handle the change registration after amending the articles of incorporation or reelecting the directors.</p> <p>(四) To ensure that members of the Board are immediately informed of the Company's material news, the Company immediately informs Board members after issuing material information, and arranges for directors to participate in financial, business and other professional knowledge courses, in addition to providing directors with information needed for executing the business.</p> <p>(五) Unscheduled calling of communication meetings with CPA, independent directors and auditing/financial/accounting supervisors implements the internal audit/internal control system. Please refer to the company website for meeting minutes of the communication.</p> <p>(六) The Board of Directors is regularly notified of the revision and development of the latest laws and regulations related to the Company's business field and corporate governance. Moreover, directors are assisted to take office and comply with regulatory requirement.</p> <p>(七) Secondary review, design and plan the Company's overall internal control system to ensure corporate governance management measures to maintain effectiveness and flexibility, and coordinate related matters across department.</p> <p>(八) Relevant matters related to the Board of Directors and shareholders' meeting were successfully completed in 2022, and the business development situation has been listed in the Board Meeting of the Board of directors on February 24, 2023. The main implementation situation is as follows:</p> <p>1. Assist directors and independent directors to perform their duties, provide necessary information arrange for their further studies.</p>	

Evaluation Items	Implementation			Gap from Corporate Governance Best Practice Principles for TWSE/TP Ex Listed Companies and the Causes
	Y	N	Summary	
			<p>2. Assist the board of directors and shareholders in meeting procedures and resolutions, such as reporting on corporate governance and responsible for the release of material information on important board resolutions.</p> <p>3. Draft the agenda of the board of directors to notify the directors seven days in advance, convene the meeting and provide meeting materials and remind in advance if the issues require avoidance of interest. Complete the Board of Directors meeting minutes in 20 days after the meeting.</p> <p>4. Handle the registration of the shareholding date in accordance with the law, and prepare the meeting notice, the discussion manual and the proceedings within the legal period.</p> <p>The items above have been completed in 2022.</p> <p>(九) The head of corporate governance participated in the continuing training course for the issuer's securities firm stock exchange accounting directors organized by Taiwan Stock Exchange in 2022 for a total of 12 hours.</p>	
5. Does the Company establish a communication channel and build a designated section on its website for interested parties, and handle all the material sustainable development issues concerned by stakeholders properly?	V		<p>(一) The Company instructs related departments to communicate with interested parties as required and there is an "Interested Parties Section" on the Company website for customers, suppliers, media and employees to contact the Company. In addition, the Company establishes a spokesperson dealing with related issues of legal persons and investors.</p> <p>(二) The "Interested Parties Section" on the Company website provides a questionnaire for interested parties to give suggestions or put questions and important social responsibility issues of deep concern to respond properly. In addition, the Company also set up a spokesperson system, where a person is designated to deal with related issues of legal persons and investors, setting up corresponding contacts for business management and operation items. Moreover, at the "Interested Parties Section," the company stakeholders may use the mailbox of this section to contact the company chairman, president, independent director, or audit office, or contact wind with stakeholders for any related suggestions, doubts or complaints, which will establish an effective and unobstructed communication channel.</p>	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company entrusts related affairs of the Board of Shareholders to professional stock affairs agencies and this year, Yuanta Securities is authorized for the handling.	None
7. Information Disclosure (一) Does the Company have a corporate website to disclose both financial standings and corporate governance status? (二) Does the Company have other information disclosure channels (Ex.: building an English website, appoint a designated person to handle information	V V V		<p>(一) The Company has set up an "Investor Section" in Chinese and English on the corporate website, disclosing the financial operations and corporate governance information, and declare the relevant information on the path designated by the Financial Supervisory Commission according to the related laws and regulations.</p> <p>(二) The Company sets up corporate website in Chinese and</p>	None

Evaluation Items	Implementation		Summary	Gap from Corporate Governance Best Practice Principles for TWSE/TP Ex Listed Companies and the Causes
	Y	N		
collection and disclosure, implement spokesperson system, placing company website during the investor conference)? (三) Does the Company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file its financial reports for Q1, Q2 and Q3, as well as its operation status for each month before the specified deadline?			English with responsible department collecting related information for placement on the corporate website. The Company sets up a spokesperson system with spokesperson and acting spokesperson. Dedicated personnel handle corporate investors and investors for related questions. The corporate website also offers contact via phone and email. The Company in general calls for 2~3 corporate investor conferences a year and announce the corporate investor conference information and film on the corporate website and MOPS. The corporate conferences were called in May and November in 2022. (三) The Company voluntarily announces and files its annual and financial statements within 2 months after the end of the fiscal year in advance. The 2022 financial report has been presented on February 24, 2023 while Q1, Q2 and Q3 financial reports (within 45 days) and the monthly operation status (before 10 th of each month) were announced and files early before the deadline.	

8. Does the Company have any important information that helps to understand the operation of corporate governance? Yes, the explanation is as follows:

(1) Operational Performance:

To implement corporate governance, apart from establishing effective internal control system and implementing self-check processing, the Company also set up independent directors and using their professional experience to enhance the practical experience of the team, in order to strengthen the function of the Board of Directors. To protect shareholder equity and enhance information transparency, the Company has established public information filing process by requirement, so that shareholders and stakeholders can fully understand the Company's financial operations and implementation of corporate governance.

Additionally, to strengthen the corporate governance, the Company not only improves Chinese and English version of corporate website for investors to control corporate information immediately but also establishes the stakeholder platform, providing stakeholders with instant response and opinion to the Company so that the Company may process as soon as possible and make improvement.

(2) Explanation of environmental protection expenditure information and labor-management relations (employee rights and employee care):

Please refer to the explanation in V-4 and 5 of this annual report.

(3) Investor relations:

The Company treats all shareholders in accordance with the principles of fairness and openness. The Company calls shareholders' meeting by the Compact Act and related laws, in addition to notifying the shareholders for attendance to the Shareholders' Meeting by rules. The Company also offers shareholders with full opportunities to ask or propose in order to maintain balance and formulate Shareholders' meeting rules by law, in addition to keep custody of shareholders' meeting minutes on MOPS with full disclosure of relevant information. The Company also ensures that shareholders have full knowledge of material matters, participate, make decision and other rights, by instantly disclosing all material information of the Company and announce the material information in Chinese and English, and set up spokesperson and acting spokesperson for handling shareholder suggestions and concerns, to instantly respond to corporate investors and general investors' questions, so that they will understand the operation outcome and management of the Company.

(4) Respect the rights and interests of interested parties:

The Company truthfully discloses corporate information by law to protect the basic rights of investors and maintain unobstructed communication channel with transacting banks, employees, consumers, and suppliers. The Company also sets up "Stakeholders Section" on the corporate website for stakeholders to instantly contact the Company. The Company respects and maintains the due

legitimate rights and interests. The three employee opinion mailboxes are set up in the company to encourage peers or stakeholders with expressing opinions or reporting of violations that will facilitate company growth and development.

Processed incidents in 2022:

Year	Management System	Employee Welfare	Gender Equality	Cases Completed	Completion
2022	6	0	7	13	100%

Enhance corporate governance and protect investors' rights

To reduce risks and diversify the risks of directors and managers causing major damage on the Company and shareholders due to wrongful and negligent acts, it has been stipulated in Article 25 of Company's Articles of Incorporation that the directors shall be held liable for compensation by law within the scope of business execution and during the director's term. Moreover, the directors are purchased with liability insurance and proposition has been reported to the Board of Directors, as described in the following insurance conditions:

Insured Party	Insurance Company	Insured Amount	Insured Period
All directors and managers	Shinkong Insurance Co., Ltd.	USD5,000,000- (Approx. NTD142,500,000)	2021/3/27~ 2022/3/26
All directors and managers	Shinkong Insurance Co., Ltd.	USD5,000,000- (Approx. NTD142,500,000)	2022/3/27~ 2023/3/26

(5) Company directors' participation in corporate governance related courses and laws in 2022, as listed below:

Title	Name	Date	Course Name	Hours
Chairman	Eddie W.H. Chuo	2022/02/25	Corporate Governance and Securities Law	3
		2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
Deputy Chairman	Chin Tsai Chen	2022/03/18	ESG Report Trends and Commercial Implications	3
		2022/05/12	Information Security Governance Path Under Legal Compliance Challenge	1.5
		2022/06/28	Discussing Core Competence for the Next Generations under Drastic Era	3
		2022/09/23	Talk on Emerging Fintech Crime and Money-Laundry Prevention from Corporate Perspective	3
		2022/10/27	IFRS17 Competition Blueprint and Sustainability Development	3
Director	Eric, Y. T. Chuo	2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
Director	Shun-Chin Lee	2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
Director	Enid H.C. Tsai	2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
Director	Hsiu-Yu Chuo	2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
		2022/10/26	ESG New Economies and Enterprise Transformation New Opportunities	3
Director	Representative of San Hsin Investment Co., Ltd.: Ching-Yi Huang	2022/03/09	Technological Development and Business Opportunities of Electric Vehicles and Smart Cars	3
		2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
Independent Director	Cheng-He Chiang	2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emission	3
Independent Director	Cheng-Yuan Chen	2022/08/02	Talk on BOD Functions From Enterprise Anti-Fraudulence	3
		2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emissions	3
		2022/08/19	Enterprise Financial Crisis Pre-Warning and Type Analysis	3
Independent Director	Huey-Hsiu Lee	2022/07/26	Directors and Supervisors (including independent) and Corporate Governance Supervisor Practice Seminar	3
		2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3

		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emissions	3
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(6) The Company's financial supervisor, auditing director and corporate governance supervisors participated in the corporate governance related courses and law in 2022, as described below:

Title	Name	Date	Course Name	Hours
Assistant General Manager of Finance Section (Financial Supervisor)	Ke-Huang Liao	2022/12/01-2022/12/02	Continuous Training Course for Financial Supervisor of Issuer's Securities and Exchange Broker and Taiwan Securities Exchange	12
Manager of Chairman's Office (Auditing Director)	Shih-Chung Che	2022/10/11	Investigation Practice and Case Analysis of Enterprise Fraudulence	6
		2022/11/02	Enterprise Fraudulent Detection Practice: Legal Responsibilities, Identification and Big Data Analysis	6
Finance Division Senior Vice President (Corporate Governance Supervisor)	Yue-Qin Wu	2022/08/10	Corporate Governance 3.0- Sustainability Development Blueprint	3
		2022/08/11	Carbon Management Trends and Responses towards Net-Zero Emissions	3
		2022/10/07	Key Analysis of Corporate Governance Assessment to be noted by Directors/Supervisors	3
		2022/12/07	How to improve the credibility of enterprise ESG report.	3

(7) The situation of the relevant personnel of the Group Company's accounting audit obtaining relevant domestic and international certificates:

There are 8 CPA of the Republic of China, 2 US CPA, and 4 licensed accountants of other countries, 2 CIA with international internal auditor's license, and accounting supervisor and auditing director with CPA license.

(8) The Company pays special attention to the disclosure and disclosure of information, and regularly or irregularly exposes company-related information on public information observatories or company websites. In 2022, the company published 45 major messages in Chinese and English concurrently, so that investors can immediately learn about the Company's operational status and important information.

(9) Functional committee performance evaluation:

1. For the Company's 2022 Audit Committee, Remuneration Committee and other functional committees, the performance evaluation adopts self-evaluation questionnaire and completed by 3 independent directors, which total evaluation results are summarized below:

- (1) Involvement in corporate operations (5 questions in total): Committee members gave affirmative evaluation.
- (2) Responsibility recognition of functional committee (5 questions in total): Committee members gave affirmative evaluation.
- (3) Improvement on decision-making quality of functional committee (5 questions in total): Committee members gave affirmative evaluation.
- (4) Composition of functional committee and members election (4 questions in total): Committee members gave affirmative evaluation.
- (5) Internal Control (4 questions in total): Committee members gave affirmative evaluation.

Overall evaluation results: All three committee members gave affirmative evaluation.

2. Performance evaluation results: Indicating functional committee members gave positive and affirmative evaluation on the efficiency and operation of functional committees, excellent operation and full play of functions.

(10) Intellectual property management plan and execution:

1. Formulate the intellectual property management policy, objectives and system related to operational strategies
To strengthen its leading position in the industry and maintain the R&D technology results not easy to come by, HIWIN Technologies Corp. formulates the intellectual property strategies combining corporate operational objectives and R&D resources, where the Legal Affairs Team of the Chairman Office leads the communication and reconciliation with related departments, following the spirit of intellectual property management policy to formulate the objectives and system on various intellectual property rights. Consequently, all relevant departments will abide by and avoid the infringement of other people's intellectual property through the Company products or marketing scheme, distribute product complete intellectual property, establish effective communication channel for all departments and intellectual property units to truly execute the intellectual property decisions and continue improvement on the management system.
2. Acquisition, protection, maintenance, and use management system for intellectual property
HIWIN Technologies Corp has drafted the long-term development blueprint since its foundation, using innovative R&D and brand marketing as core value to set up R&D Centers and laboratories in Taiwan, Tokyo in Japan, Offenburg in Germany, Moscow in Russia, and Israel, with over 500 people employed as R&D personnel. HIWIN Technologies maintains its competitive advantages in precision linear transmission component field and system technology products, in addition to

projecting in becoming the largest brand in that field. The company actively commits to product R&D and technology innovation. HIWIN's intellectual property department also work closely with R&D department to establish a comprehensive and robust patent fort.

3. Provide adequate resources needed for effectively implementing and maintaining the intellectual property management system HIWIN also adopts innovative R&D and brand marketing as core value by appropriating 3%~7% of annual revenue on R&D funding. Moreover, the Company is generous in terms of fund expenditure in the software and hardware establishment of intellectual property system, while an intellectual property department manages and maintains the Company's intellectual property system full time. The department periodically report to the senior management on the management status of intellectual property and pays expenses for applying protection through intellectual property on innovative output. In 2021 and 2022, the Company has invested in NTD47,627,000 and NTD52,886,000.

4. Execution Status

HIWIN strengthens its intellectual property management system through the third-party fair certification body in order to completely protect the intellectual property outcome. The main executions in recent years are described below:

- (1) Introduced Taiwan Intellectual Property Management Standards (TIPS) between 2014 ~ 2017.
- (2) The intellectual property department continues to deepen the intellectual property management system since 2018, establishing the control points of effective intellectual property right system and expanding and introducing TIPS to all factories (Taichung, Yunlin, and Chiayi).
- (3) Starting 2017, the Company has rigorously defeated the counterfeits in global market. The logo of the company is accumulated to investigating 75 factories and 437 distributors, with 512,174 slides and 12,035 packages for counterfeit slides confiscated.
- (4) In 2019, President Enid H.C. Tsai was invited by the TIPS to lecture on theme about "Intellectual Property Management Obligations for TWSE/TPEX Company Board of Directors," sharing the management experience of the Company in intellectual property.
- (5) Starting 2021, the Company implements the business secret registration system, in order to make the management of business secrets with more precision through the registration of business secrets, in addition to rigorously control the retrieval and audit of the business secret. This will avoid leak of business secret and there are currently 86 business secrets registered.
- (6) Starting 2021, the Company implements logo use evidence collection system to periodically check the use of logo for the Company products and ensure the validity of logo registered by the Company.
- (7) Continue to upgrade the legal concepts in supervisors, suing the legal controversies occurring the company each year as teaching case, so that supervisors of all levels can examine if the responsible department encounters similar legal problems, and thereby improving the management system of the department.
- (8) Provide the five-stage patent course educational training to new R&D employee, including: introduction to patent manual framework, patent index method, patent proposal techniques, patent approval rebuttal, patent infringement identification, in order to develop the patent basic knowledge in R&D employees.
- (9) Regularly review the patent applied by others and propose reporting, objection or invalid declaration procedures for patents that could impede the Company's product development, in order to lower risks of infringement.
- (10) Intellectual property related execution has been reported to the directors at the Board of Directors meeting held on November 7, 2022.

5. Achieved Results:

(1) Patent

109 patent applications were filed and 124 patent certificates were awarded. As of the end of 2022, 2,334 patents have been obtained and are still valid. The R&D outcome is the first in Taiwan in terms of metal and steel and precision machinery, maintaining the leading position.

(2) Combating Counterfeit

1. The mainland registration number 18961112 and 18961115 color combination trademarks owned by HIWIN were selected by the mainland authorities as the top 10 typical trademark infringement cases in Wenzhou in 2017, top 10 typical cases of administrative protection by State Intellectual Property Office in 2019, typical case of protection knowledge and property right comprehensive law enforcement in 2020, the top 10 typical cases of knowledge and intellectual property protection by People's Court in Linqing City in 2021, and the color combination trademark infringement case determined by trade infringement standards in 2022.
2. Monitoring mainland e-commerce platforms, complaining and deleting sales links that infringe on the Company's color combination trademark rights, and suing online sellers with more serious infringements, maintain the Company's online

brand and reputation.

3. The Company has filed infringement on four mainland companies against the Company's Patent Invention No. 100425901 announced in mainland, three of the cases ruled verdicts in favor of the Company.
4. The Company filed infringement case against 2 mainland suppliers for the copyright of the Company's linear guide catalogue, and the verdict was ruled in favor of the Company at the first trial.

(11) Evaluation of CPA Independence:

Item	Evaluation Items	Evaluation Results	In compliance with independence
1	Do CPAs have direct or indirect material financial interests with the Company?	No	Yes
2	Do CPAs engage in financing or guarantee acts with the Company or other directors?	No	Yes
3	Do CPAs have close commercial relation with the Company?	No	Yes
4	Are CPAs potentially employed by the Company?	No	Yes
5	Related to the audit case or fees?	No	Yes
6	簽 Have the CPAs served as the director, manager, shareholder, or positions with material influence on the audit case, recently or in most recent two years?	No	是
7	Do CPAs hold shares of the Company?	No	Yes
8	Do CPAs provide material projects of non-auditing services to the Company that will directly affect the audit case.	No	Yes
9	Do CPAs defend for the Company or act on behalf of the Company to reconcile the conflicts with other third party?	No	Yes
10	Are CPAs the relatives of Company's director, managers or positions with material influence on the audit cases?	No	Yes
11	Do CPAs of joint practice serve as the director, manager or positions with material influence on the audit cases within one year of resignation.	No	Yes
12	Do CPAs receive the high-value presents or gifts from the Company, its directors and managers (which value exceeds the general social etiquettes standards) ?	No	Yes
13	Do CPAs provide services to directors, managers or equivalent positions of the Company?	No	Yes
14	Do CPAS provide the following non-audit services (except for the exceptions in Code of Professional Ethics Gazettes No. 10): (1) Ledge book services (2) Evaluation services (3) Taxation services (4) Internal audit services (5) Short-term personnel dispatch services (6) Recruitment of senior managers (7) Company's financing services	No	Yes
15	Do CPAs conform to the regulations governing independence in CPA Code of Professional Ethics Gazettes No. 10 and acquired the "Statement of Independence" presented by CPAs.	Yes	

(11) Regulations governing the material trading of the stakeholders' financial business:

The Company has formulated the regulations governing the group enterprises and stakeholder trading, including purchase/sales transaction, acquiring or disposing of asset management procedures, with amendment in 2023 and adoption by the Board of Directors on May 10, 2023. The Company purchases/sells goods from affiliates, conduct labor affairs or technical service trading, acquiring or disposing assets. It is projected that the annual transaction amount will reach the consolidated total assets or the latest period of 5% of annual consolidated sales revenue net worth. Apart from applying the Regulation Governing the Acquisition and Disposal of Assets by Public Companies, or the mutual transactions between the Company and parent company and between the subsidiaries, the various material transaction data should be submitted to the Board of Directors for adoption before proceeding. Moreover, the latest shareholders' meeting report should be submitted. The Company has not purchase/sold from affiliates (or transactions between subsidiaries) or acquired or disposed assets in conformity with material transaction in 2022, and therefore does not need to report to the Shareholder's meeting.

(13) Communication channel and responses to stakeholders

Stakeholders		Significance for HIWIN Technologies Corp	Concerned Issues	Communication Method/Frequency	Actions Taken
01	Employees	Employees are the key support for the Company's sustainability management	<ul style="list-style-type: none"> Talent attraction and retention Workplace safety and health Talent capital development Employee diversity and tolerance Customer relation management 	<ul style="list-style-type: none"> Labor-management meeting(quarterly) Employee opinion mailbox (any time) ESG questionnaire (yearly) Department communication and work meeting (any time) Human right education training (each year) 	<ul style="list-style-type: none"> Sound salary welfare, retirement system, labor insurance, health insurance, and additional group insurance. Diversified employee communication channel, taking care of employees' health in body, mind and soul Implement employee care interview, accept employee opinion and instantly take relevant measures Keep rigorous confidentiality on reported data, providing nominated and anonymous channel
02	Customers	Customer satisfaction is the corporate sustainability guidelines and also the source of company/s operation performance	<ul style="list-style-type: none"> Customer relation management Sustainability supply chain Social participation Financial performance Workplace safety and health Green products 	<ul style="list-style-type: none"> ESG website and sustainability report (each year) Annual customer satisfaction questionnaire (each year) Website update / 3D website establishment (unscheduled) Customer relation management software (any time) Product promotion/exhibition (unscheduled) Mobile APP (any time) 	<ul style="list-style-type: none"> Provide quality before and after sales service through customer survey and frequent visits Link the subsidiary website and 3D website through website update so that customers can quickly understand products and service information. Maintain customer visit information through software management and after-sales service information; the messages left from exhibition and website have potential business opportunities and can be controlled and followed-up by software. Participating in more than 200 exhibitions worldwide in average a year (including more than 40 countries), promoting new products during the exhibition period and providing product guide services. Arrange for subsidiary/distributor education training or in-company exhibition at large corporations through scheduled or unscheduled meeting. Provide product exhibition/application integrated with cooperative department, including ITRI, National Science and Technology Museum and educational units. Provide online instant reply through mobile APP (official line and wechat)
03	Suppliers/Contractors	Supplier/contractor is the global partner that provides excellent products and services for to HIWIN	<ul style="list-style-type: none"> Workplace safety and health Financial performance Energy management Sustainability supply chain Talent attraction and retention 	<ul style="list-style-type: none"> ESG website and sustainability report (each year) Contractor education training (unscheduled) Contractor negotiation organization meeting (Each year) Top 100 supplier evaluation (each year) Supplier business review meeting (unscheduled) 	<ul style="list-style-type: none"> Encourage suppliers with energy saving, carbon reduction and working towards net-zero carbon emission goal. Information material purchase is based on local suppliers in Taiwan, providing local work and employment opportunities Compliance with supply chain conduct code and conduct supplier ESG evaluation. Identify high-risk suppliers and lower risks of broken supply chain Undergo excellent contractor evaluation and provide contractor with safety and health training. Routinely call for contractor reconciliation organization meeting each year and communicate over safety and health related matters.
04	Investor	Investor is the pushing hands behind the sustainability management and benefits to human for HIWIN	<ul style="list-style-type: none"> Talent attraction and retention Workplace safety and health Innovative management Talent capital development Social participation 	<ul style="list-style-type: none"> Shareholders' Meeting (each year) Participate in public polices and related meetings (unscheduled) Official documents (unscheduled) Corporate investor conference (2~3 times /year) and will be called for any 	<ul style="list-style-type: none"> Call one BOD meeting at least once a quarter to audit the management performance of the enterprise and discuss important strategic issues. Review the various possible material risks and draft operation plan through the management of the BOD, adopt rigorous control over internal operating procedures and continue to make improvement. The company related material resolution is instantly announced of the MOPS of Taiwan Stock Exchange.

				<ul style="list-style-type: none"> special matters, as needed. Media news (unscheduled) Company annual report, sustainability report (each year) 	<ul style="list-style-type: none"> Privacy and internal control of business secrets.
05	Social Groups	Interdisciplinary integration, jointly implementing civil responsibility with HIWIN, helping with blending the local power while strengthening the industry, government, academic, and research interaction and exchange	<ul style="list-style-type: none"> Innovative management Brand management Green products Workplace safety and health Financial performance Risks and crisis management Sustainability supply chain Legal compliance 	<ul style="list-style-type: none"> ESG website and sustainability report (each year) HIWIN Education Foundation holding volunteer activities (unscheduled) HIWIN-CMU Research Center (unscheduled) HIWIN-NTHU Research Center (unscheduled) Arrange for student visit activities (unscheduled) Official documents (unscheduled) Meeting (seminar, briefing and workshop) 	<ul style="list-style-type: none"> Comply with government environmental, safety and health laws and other requirement. Hold HIWIN machinery master, PhD dissertation award, HIWIN smart robotic arm competition regularly each year. Assist the promotion of automation engineer and robot engineer certification tests. Establish with establishing elementary school libraries, children's books, and English courses. Continue to hold industry-academic collaboration class. HIWIN industry lecturers instructing and sharing on campus. Volunteer group provides community care and supporting services.

9. Please comment on the results of the recent corporate governance evaluation issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. and propose priorities and measures for those who have not yet improved.

The Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. announced the 9th corporate governance evaluation. The Company ranked 6%~20% of the listed companies, which shows that the efforts in implementing corporate governance has achieved some results. The following items without receiving any scores are described below:

1. Hold shareholders' meeting before the end of May: The Company plans to call the 2023 shareholders' meeting on May 31, 2023.
2. Voluntary disclosure of financial forecast information: The Company does have the plan to voluntarily disclose its annual financial forecast data for now.
3. Director performance evaluation method: To implement the corporate governance in improving BOD function, the performance objectives are established to strengthen BOD operation efficiency. The Company formulates the BOD performance evaluation regulations in accordance with the letter Tai-Zheng-Zhi-Li-Zi No. 1070025395 dated December 27, 2018. It was also adopted by the BOD on November 12, 2019 that the audit department of the Company shall periodically ask BOD members to conduct self-evaluation questionnaire on BOD, BOD members and functional committees. The BOD performance evaluation will be conducted that year and the results will be reported to the Q1 BOD in the following year for review and improvement. In 2022, the BOD performance evaluation results were excellent without material flaws for improvement items. Moreover, the results were listed in the Board Meeting minutes on February, 2023. The Company is evaluating of an external agency should be employees for assessing the director performance.

(iv) Composition, Responsibilities and Operation of the Remuneration Committee and Nomination Committee:

1. Remuneration Committee:

(1) Information of Remuneration Committee Members

Identity	Criteria		Compliance with Independence	No. of other companies the person is acting as independent director
	Name	Professional Qualification and Expertise		
Independent Director (Convener)	Cheng-He Chiang	The Company's Remuneration Committee consists of 3 independent directors. Please refer the "Information on Directors" for more the professional qualification and experience of committee members.	Pursuant to the Company's Articles of Incorporation and provisions prescribed in the "Corporate Governance Best Practice Principles," directors are elected by candidate nomination and the Company shall have acquired the statement in writing provide by all directors at the time of nominating and electing the BOD members of the Company, as well as their work experience and other related documents that verify their independence. Additionally, the Company shall verify that the three independent directors listed on the left, in 2 years before the election and during the office period, conform to the qualification prerequisites specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and "Securities and Exchange Act, Article 14-2, promulgated by the Financial Supervisory Committee. Moreover, the independent directors have been fully empowered to participate in decision making and the authorization to express opinions according to Article 14-3 of Securities and Exchange Act, thereby to independently execute the relevant duties.	None
Independent Director	Cheng-Yuan Chen			None
Independent Director	Huey-Hsiu Lee			None

Note: No members meet any of the following criteria in the two years before being elected during the term of office:

- (1) An employee of the Company or other affiliates.
- (2) A director or supervisor of the Company or affiliates (however, excluding the concurrent independent directors of the Company, parent company subsidiary, or the subsidiary of the same parent company, or set up by the act or the local law of the country).
- (3) An individual shareholder on the top 10 shareholders of the company where he/she, his/her spouse and minor children have over 1% of the total issue shares or have shares in the name of others.
- (4) The Manager listed in (1) or a spouse, relative within the second degree of kinship, or linear relative within the third degree of kinship of any of the persons listed in (2) and (3).
- (5) Directors, supervisors or directors of corporate shareholders who directly hold more than 5% of the Company's total shares, hold the top five shares, or directors, supervisors or employees who appoint representatives to act as company directors or supervisors in accordance with Article 27 of the Company Act.
- (6) Directors, supervisors and employees of other companies who control more than half of the shares or voting rights by the same person.
- (7) Directors, supervisors and employees of other companies or organizations who are the same person or spouse with the company's chairman, president or equivalent.
- (8) Not directors, supervisors, managers, or shareholders holding more than 5% of a particular company or institution that have financial or business dealings with the Company.
- (9) Professionals, proprietors, sole proprietorship, partnerships, companies or institutions that provide audits for companies or related companies, or business, legal, financial, accounting, and other related services that have received NT\$500,000 in the past two years. Partners, directors (directors), supervisors, managers, and their spouses. However, members of the Remuneration Committee are not limited.

(2) Responsibilities of Remuneration Committee

To assist the Board of Directors in executing evaluating and reviewing the policy, system, standard and structure of salaries and remunerations of the Company's directors and managers regularly, the Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit suggestions for discussion to the Board of Directors.

- ① The committee shall make and periodically review the performance evaluation, remuneration policy, system, standards, and structures of directors and managers.
 - ② The committee shall periodically evaluate and set the remuneration of directors and managers.
 - ③ Regularly review the organizational rules of the Remuneration Committee and assess whether to propose amendments.
- (3) The Remuneration Committee shall perform its functions and powers in accordance with the following standards:

- ① Salary management should conform to the Company's salary concept.
- ② The performance evaluation and remuneration of directors and managers should be related to the Company's operating performance and future risks.
- ③ The ratio of dividends to the short-term performance of directors and managers and the payment time of part of the variable remuneration should be determined in consideration of the characteristics of the industry and the nature of the Company's business.
- ④ The members of this committee shall not participate in discussion and voting on their personal salary and remuneration decisions.

(4) Operation of the Remuneration Committee

- ① The Remuneration Committee of the Company has 3 members.
- ② Tenure of this Committee Term: June 27, 2022 to June 26, 2025. The Nomination Committee held 4 (A) meetings in 2022 and the qualifications and attendance records of the members are shown below, and all attendance records are 100%:

Title	Name	No. of Meetings Attended Personally B	No. of Meetings Attended by Proxy	Personal Attendance Rate (%) 【 B / A 】	Remark
Convener	Cheng-He Chiang	4	0	100%	Re-elected
Member	Ching-Huey Chen	2	0	100%	Previously elected
Member	Li-Ming Tu	2	0	100%	
Member	Cheng-Yuan Chen	2	0	100%	Newly elected
Member	Huey-Hsiu Lee	2	0	100%	

Review salary and compensation regularly:

The function of the Company's salary and compensation committee is to evaluate the salary and compensation policies and systems of the directors and managers of the Company in a professional and objective position. The meeting is called at least twice a year and may be held at any time as necessary to make recommendations to the BOD for reference in decision-making.

Other necessary information:

1. If the Board does not adopt or revise proposals of the Committee, the Board meeting date, session, content of the motion, the Board direction, and the Company's response to the Remuneration Committee's opinions shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the Remuneration Committee, the difference and the reasons must be noted): None.
2. Should a committee member oppose or revise their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the motion, opinions of all members, and the response to the opinions shall be recorded: None.

- ③ The Remuneration Committee's date of meetings, content of proposals, and the Company's handling of the Committee's opinions in recent year:

Remuneration Committee Date (Period)	Content of Motion	Proposal Outcome	The Company's Handling of the Committee's Opinions
2022.02.25 9 th session, 4 th committee	2021 employee compensation and director compensation proposal.	The chairperson consulted all attending members. The proposal was passed without raising any opposition and was submitted to the Board of Directors for discussion.	Submitted to the Board of Directors and approved by all directors present.
	Amended "Director Performance Assessment and Remuneration System"	The proposal involves the interest	

2022.05.10 First Extraordinary Remuneration Committee in 2022	Amended “Director Performance Assessment and Remuneration System.”	of an independent director and hence adopts discussion and voting one by one to avoid conflict of interest for this proposal. All members passed the proposal with unanimous consent.	
2022.07.05 1st session, 5 th committee	Developed fundraising by cash through manager stock purchase option.	The chairperson consulted all attending members. The proposal was passed without raising any opposition and was submitted to the Board of Directors for discussion.	
2022.11.04 2nd session, 5 th committee	Director and manager salary review report (No matters were discussed by the this Remuneration Committee meeting)	All attending members were aware.	-

2. Nominee Committee:

(1) Information on members of the Nominating Committee:

Criteria Name Identity	Professional Qualifications and Experience	Independence Status	No. of other companies the person is acting as independent director
Independent Director (Convener)	Cheng- He Chiang	Pursuant to the Company’s Articles of Incorporation and provisions prescribed in the “Corporate Governance Best Practice Principles,” directors are elected by candidate nomination and the Company shall have acquired the statement in writing provide by all directors at the time of nominating and electing the BOD members of the Company, as well as their work experience and other related documents that verify their independence. Additionally, the Company shall verify that the three independent directors listed on the left, in 2 years before the election and during the office period, conform to the qualification prerequisites specified in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and “Securities and Exchange Act, Article 14-2, promulgated by the Financial Supervisory Committee. Moreover, the independent directors have been fully empowered to participate in decision making and the authorization to express opinions according to Article 14-3 of Securities and Exchange Act, thereby to independently execute the relevant duties.	None
Independent Director	Cheng- Yuan Chen		None
Independent Director	Huey- Hsiu Lee		None

(2) The Nomination Committee shall abide by the authorization of the Board of Directors and pay attention of good manager to faithfully perform the following duties and be held responsible to the Board of Directors. The Committee shall also report or submit the resolution results to the Board for discussion:

- ① Formulate the composition, qualification and criteria, as well as other election standards needed for BOD members and executives, electing and auditing the candidates for directors and executives.

- ② Plan and execute the performance evaluation on the BOD, functional committee members, directors, and executives.
 - ③ Plan and execute continuous education program for directors.
 - ④ Audit the articles of incorporation and corporate governance best practice principles.
- (3) Professional qualification and experience of Nomination Committee members and the operations:
- ① The nomination committee of the Company comprises of 3 members.
 - ② Tenure of this Committee Term: June 27, 2022 to June 26, 2025. The Nomination Committee held 3 (A) meetings in 2022 and the qualifications and attendance records of the members are shown below, and all attendance records are 100%:

Title	Name	No. of Meetings Attended Personally B	No. of Meetings Attended by Proxy	Personal Attendance Rate (%) 【 B / A 】	Remark
Convener	Cheng-He Chiang	3	0	100%	Re-elected
Member	Ching-Huey Chen	2	0	100%	Previously elected
Member	Li-Ming Tu	2	0	100%	
Member	Cheng-Yuan Chen	1	0	100%	Newly elected
Member	Huey-Hsiu Lee	1	0	100%	

Other matters recorded:

Should a committee member oppose or reserve their opinion regarding any decision made by the nomination committee and their opinion has been recorded or submitted in a written statement, the nomination committee meeting date, session, content of the motion, opinions of all members, and the response to the opinions shall be recorded: None.

- ③ The Nominee Committee's date of meetings, motion content, proposal outcome, and the Company's handling of the opinions of the Nominee Committee in the most recent year:

Date of Nominee Committee Meeting (Period)	Motion Content	Proposal Outcome of Nominee Committee	The Company's Handling of the Opinions of Nominee Committee
2022.02.25 1 st Session, 1 st Committee	Amendment to the "Corporate Governance Best Practice Principles."	The chairperson consulted all attending committee members for the proposal, which reached unanimous consent and submitted to the Board of Directors for discussion.	Submitted to the Board of Directors and reached unanimous consent for passing by all attending directors
	Proposal for appointing president Enid H.C. Tsai as the chairman of subsidiary company in Japan.		
2022.05.09 2 nd Session, 1 st Committee	Proposal for reviewing the list of 12 th Director candidates and qualification of independent directors.		
2022.10.12 1 st Sessions, 2 nd Committee	Report on the planning and implementation progress of the continuing education for directors in 2022. (No matter was discussed by the Nominee Committee this time)	All attending members were aware	-

(v) Fulfillment of Sustainable Development:

Evaluation	Operation Status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes
	Yes	No	Summary	
1. Has the Company established an exclusively (or concurrently) dedicated unit under supervision of senior management authorized by the Board of Directors to promote sustainable development and report its implementation to the Board of Directors?	V		<p>The Company established the CSR Committee in 2014, later renamed the ESG Committee in 2021, as highest-level decision-making unit for sustainable development. The General Manager, authorized by the Chairman of the Board, is responsible for creating The Company's sustainable development vision. General Manager serves as the chair of the ESG Committee and discusses and formulates the mid and long-term sustainable development plans with senior executives from relevant departments. The ESG Committee comprises top executives from the Chairman's Office, Product Development Department, Manufacturing Department, Management Department, Occupational Safety and Environmental Protection Department, Human Resources Department, Finance Department, and Planning Team.</p> <p>Starting from 2021, the ESG Committee holds monthly meetings to discuss major environmental, social, and legal issues regarding sustainable development, such as energy conservation and carbon reduction. After identifying the risks, the Committee puts forward countermeasures, action plans, and risk management policies.</p> <p>The Company considers sustainable development issues starting from the product development stage. The ESG Committee discusses and approves the yearly implementation plan and results and reports them to the Board of Directors at least once a year. The implementation strategy, results, benefits, and future goals for 2022 were reported to the Board of Directors on May 10, 2023. The report included (1) sustainable issues of concern and response measures and (2) the supervision and evaluation of the sustainable business plan implementation. After listening to the report, the directors made recommendations to the ESG Committee as a reference for adjusting their strategies.</p>	None
2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues related to corporate operations and formulated corresponding risk management policies or strategies based on the materiality principle?	V		<p>Risk management organization structure and policies:</p> <p>According to the structure in ISO 31000, the Company established the "Risk Management Policy" on August 5, 2020, which the Board of Directors approved as the Company's highest guiding principle for risk management. The Audit Committee oversees the Company's risk management. The Company established the "ESG Committee" and "Risk Management Committee" for annual risk identifications to determine risks that may affect the Company's sustainable development and formulate related risk management policies. These policies cover management objectives, organizational structure, accountability attribution, and risk management procedures. Implementing the policies can effectively identify, measure, and control different risks of the Company, limiting them within acceptable ranges.</p> <p>Risk management procedure:</p>	None

Evaluation	Operation Status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes
	Yes	No	Summary	
			<p>1.Risk identification: The Company refers to international reports to formulate guidelines for materiality analysis. The Company formulates the content and defines the priority of significant issues (such as operational risk, social, and corporate governance issues) through research reports, literature, and communication with internal and external stakeholders and establishes relevant risk management strategies. Since most of the Company's manufacturing operations happen in Taiwan, the Company's risk assessment currently focuses on Taiwanese plants and plans to include foreign subsidiaries in the future.</p> <p>2.Risk analysis: The Committee conducts risk analysis based on the ateriality principle of identifying risks. According to external experts' suggestions, the Committee determines the Company's most relevant significant issues. All functional organizations keep communicating and interacting with stakeholders to manage significant environmental, social, and corporate governance issues related to business operations and identify significant risks and opportunities based on the degree of risk exposure. The Committee performs climate change risk analysis in aspects of Company policy, regulation, market, and production to assess potential impacts. Based on the financial impact assessment of risks and opportunities, the Committee proposes relevant measures and action plans for response. The ESG Committee and Risk Management Committee refer to the framework of the recommendations for climate-related financial disclosures to perform risk and opportunity assessment with an exemplary implementation.</p> <p>3. Risk response and operational status: The responsible departments of the Company propose necessary response measures to reduce risks such as operational risks, credit and financial risks, climate change risks, industry change risks, human resources risks, intellectual property and cybersecurity risks, litigation risks, supply chain risks, regulatory risks, occupational safety risks, and environmental protection risks. For high-risk issues, in addition to regularly reporting risk status at the Risk Management Team meetings and strengthening control plans, the departments report to the Risk Management Committee for supervision and review, and the Risk Management Committee reports to the Board of Directors at least once a year. The risk management strategies and main response plans for 2022 was included in the board meeting agenda on November 7, 2022.</p>	

Evaluation	Operation Status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the causes
	Yes	No	Summary	
<p>3. Environmental issues</p> <p>(1) Has the Company established an appropriate environmental management system based on the characteristics of its industry?</p> <p>(2) Has the Company committed to improving resource utilization efficiency and using renewable materials with low environmental impact?</p> <p>(3) Does the Company evaluate the potential risks and opportunities of climate change in the present and the future and take appropriate response measures?</p> <p>(4) Has the Company collected the statistics of greenhouse gas emissions, water usage, and total weight of waste in the past two years and formulated policies for greenhouse gas reduction, water saving, or waste management?</p>	V	V	<p>(1) The Company's plants in Taiwan has passed the ISO 14001 environmental management system and has completed the verification for the Operation Headquarters, Taichung Precision Machinery Park (Jingke) Plant 2, Yunlin Science Park (Yunke) Plant 1, 2, 3, and 4, and Dapumei Plant 1 and 3 with a coverage rate of 75% as of February 2023. The latest certificate is valid from March 25, 2023, to January 28, 2025. The Company's plants in Taiwan passed the verifications for ISO14064-1 (Greenhouse Gas Emissions Inventory) and ISO 50001 (Energy Management System), with a validity period from January 15, 2021, to January 14, 2024. In addition, the Operation Headquarters of the Company has received ISO 46001 (Water Efficiency Management System) certification, with the latest certificate valid until August 25, 2025. The Company's plants in Taiwan have all obtained third-party verification from TÜV Rheinland Taiwan and verification statements for ISO14067:2018 (Product Carbon Footprint) and ISO14046:2014 (Organizational Water Footprint) from the British Standards Institution (BSI).</p> <p>(2) The Company promotes energy management, renewable energy, and recycling and reusing resources such as electricity, water, packaging materials, and waste paper in its plants. The Company also strives to develop and use environmentally friendly materials and packaging for products and strengthen trash sorting and resource recycling to reduce waste. Aside from the above strategies, the Company also promotes paperless documentation to reduce paper waste. The Company has installed solar panels on the roof of the Operation Headquarters and plans to establish more in other factories in response to the government's green energy policies and to reduce the environmental impact of company operations.</p> <p>(3) The ESG Committee is the Company's highest department that deals with climate change management. Led by the CEO, the committee voluntarily used the Task Force on Climate-related Financial Disclosures (TCFD) framework to assess climate risks and opportunities. The Committee developed and implemented adaptive action plans based the exposure and vulnerability matrix to determine major risks and opportunities. The Committee also performed climate change risk analyses on the aspects of policies, regulations, markets, and production to assess potential financial impacts. Following the TCFD framework, the Company assesses the risks and opportunities of climate change. It regularly holds workshops with department managers and external consultants on "Climate Risk and Opportunities" to identify the likelihood and impact of various risks and opportunities and calculate the risk levels. The top five risks identified include changes in rainfall or weather patterns, increased frequency or severity of extreme weather events, shift in customer and market demands, increased raw material costs, and international industry regulations and voluntary standards. The top five opportunities identified include resource substitution and diversification, more efficient</p>	None

Evaluation	Operation Status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the causes
	Yes	No	Summary	
			<p>production processes, recycling and reuse, development of low-carbon products and services, and participation in renewable energy projects and energy upgrades. After the report from the ESG Committee, the Company decided to focus on rainfall or weather pattern changes, increased frequency or severity of extreme weather events, shifts in customer and market demands, and impacts from international industry regulations and voluntary standards for the major risks in 2022. As for the major opportunities, the Company will zero in on resource substitution, resource diversity, and efficient production. These strategies have been incorporated into The Company's risk management procedures, and corresponding measures have been formulated.</p> <p>(4) The Company has designated the Occupational Safety and Environmental Protection Department as the responsible department and assigned dedicated personnel to handle air pollution, wastewater, and waste-related issues. The Company entrust professional agencies to deal with the waste generated during production. The Company also plans and arranges training courses on occupational safety and environmental management for employees to ensure the implementation of company policies and to reduce waste generation from the source.</p> <p>The Company has been promoting carbon management operations for many years. With a thorough understanding of the actual production of "carbon" and "greenhouse gas", the Company formulated policies and improvement measures for greenhouse gas reduction, water conservation, and waste management to achieve the Company's carbon reduction goal and show its resolution for environmental protection. In 2022, the third-party verification agency, TUV Rheinland Taiwan, visited the Company's main production sites in Taiwan (including the Operation Headquarters, Taichung plants, Yunlin plants, and Dapumei plants) and verified the statistical data from each plant. According to the inspection results, the Scope 1 emissions in 2022 were 10,102 metric tons of CO₂e, Scope 2 emissions were 139,912 metric tons of CO₂e, Scope 3 Category 3 emissions were 2,953 metric tons of CO₂e, and Category 4 emissions were metric 23,026 tons of CO₂e. In 2021, the Scope 1 emissions were 10,063.1760 metric tons of CO₂e, Scope 2 emissions were 151,143.6737 metric tons of CO₂e, Category 3 emissions were 4,672 metric tons of CO₂e, and Category 4 emissions were 80,132 metric tons of CO₂e.</p> <p>The total water consumption in 2022 and 2021 was 0.673 and 0.833 million metric tons, respectively. The total waste generated in 2022 and 2021 was 11,240 and 11,102 metric tons, respectively. In order to improve the efficiency of water use and reduce the waste of water resources, water recycling and reuse facilities have been established. In 2022 and 2021, recycled water accounted for 8.4% and 9.5% of the reclaimed water plant area, respectively, and this accounted for 7.8% of the company's overall water use in 2022.</p>	

Evaluation	Operation Status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes																									
	Yes	No	Summary																										
			<p>2022 implementation results and future goals:</p> <p>To respond to climate change and promote sustainable operations, the Company will continue to implement multiple energy management plans and invest in energy-saving product development, as shown below:</p> <table border="1"> <thead> <tr> <th>Subject</th> <th>2022 Results</th> <th>2023 Targets</th> <th>2030 Targets</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Climate strategy and energy management</td> <td>OB-1 Scope 1+2 emissions reduction by 9.7%(target 7.5%)</td> <td>OB-1 Scope 1+2 emissions reduction by 15%</td> <td>OB-1 Scope 1+2 emissions reduction by 50% (compared to 2021)</td> </tr> <tr> <td>OB-2 Production interruptions due to climate disasters: 0 days(target 0 day)</td> <td>OB-2 Production interruptions due to climate disasters: 0 days</td> <td>OB-2 Production interruptions due to climate disasters: 0 days</td> </tr> <tr> <td>OB-3 Accumulative total of renewable energy generation: 535.1KW</td> <td>OB-3 Accumulative total of renewable energy generation: 2,922KW</td> <td>OB-3 Accumulative total of renewable energy generation: 5,600KW</td> </tr> <tr> <td>OB-4 Energy-saving projects accumulatively saved 7,428 kilowatt-hours of electricity (target 5,481 kilowatt-hours)</td> <td>OB-4 Energy-saving projects accumulatively saved 8,222 kilowatt-hours of electricity</td> <td>OB-4 Energy intensity decrease by 27,406 kilowatt-hours (compared to 2021)</td> </tr> <tr> <td>Water resource management</td> <td>OB-1 Water recycling rate: 8.4%</td> <td>OB-1 Water recycling rate: 12%</td> <td>OB-1 Water recycling rate: 16%</td> </tr> <tr> <td>Waste management</td> <td>OB-1 Waste recycling rate: 77%</td> <td>OB-1 Waste recycling rate: 79%</td> <td>OB-1 Waste recycling rate: 82%</td> </tr> </tbody> </table> <p>For more details, please refer to the Company's 2022 sustainability report.</p>	Subject	2022 Results	2023 Targets	2030 Targets	Climate strategy and energy management	OB-1 Scope 1+2 emissions reduction by 9.7%(target 7.5%)	OB-1 Scope 1+2 emissions reduction by 15%	OB-1 Scope 1+2 emissions reduction by 50% (compared to 2021)	OB-2 Production interruptions due to climate disasters: 0 days(target 0 day)	OB-2 Production interruptions due to climate disasters: 0 days	OB-2 Production interruptions due to climate disasters: 0 days	OB-3 Accumulative total of renewable energy generation: 535.1KW	OB-3 Accumulative total of renewable energy generation: 2,922KW	OB-3 Accumulative total of renewable energy generation: 5,600KW	OB-4 Energy-saving projects accumulatively saved 7,428 kilowatt-hours of electricity (target 5,481 kilowatt-hours)	OB-4 Energy-saving projects accumulatively saved 8,222 kilowatt-hours of electricity	OB-4 Energy intensity decrease by 27,406 kilowatt-hours (compared to 2021)	Water resource management	OB-1 Water recycling rate: 8.4%	OB-1 Water recycling rate: 12%	OB-1 Water recycling rate: 16%	Waste management	OB-1 Waste recycling rate: 77%	OB-1 Waste recycling rate: 79%	OB-1 Waste recycling rate: 82%	
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<p>4. Social Issues</p> <p>(1) Has the Company established management policies and procedures under relevant laws and International Covenants on Human Rights?</p> <p>(2) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?</p> <p>(3) Does the Company provide employees with a safe and healthy working</p>	V	V	<p>(1) The Company formulated and disclosed human rights policies according to international treaties such as the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and the International Labor Organization.</p> <p>HIWIN complies with labor laws and regulations in employing employees and does not force anyone unwilling to engage in labor activities. Through the supplier audition and assessment procedure, HIWIN carefully examines suppliers' capabilities in seven evaluation fields, including labor-management mechanisms, in the hope that they can protect the employees' human rights and legal rights and jointly fulfill corporate social responsibility with HIWIN.</p>	None																									

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<p>environment and regularly organize safety and health education for employees?</p> <p>(4) Has the Company established an effective career capability development training program for employees?</p> <p>(5) Does the Company comply with relevant laws and international standards in health, safety, and privacy of consumers as well as marketing and labeling of its products and services, and establish consumer protection policies and appeals procedures?</p> <p>(6) Has the Company established a supplier management policy that requires suppliers to follow applicable regulations on environmental protection, occupational safety and health, and labor rights and supervises their implementation?</p>	V		<p>(2) The Company's human rights concerns and practices are as follows:</p> <ol style="list-style-type: none"> 1. Provide a safe and healthy working environment 2. Eliminate unlawful discrimination and ensure equal job opportunities for all employees 3. Prohibit child labor 4. No forced labor 5. Assisting employees in maintaining physical and mental health and a good work-life balance. <p>The management plans in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Human rights policy</th> <th>Management plans</th> </tr> </thead> <tbody> <tr> <td>Diversity Inclusion and Equal Employment Opportunity</td> <td>When recruiting, appointing and developing employees, there is no discrimination due to gender, race, age, marriage, family status, religion, party affiliation, nationality, appearance, facial features, physical and mental disabilities, etc., and we are committed to creating an equal, diverse and inclusive working environment, uphold the principles of openness and fairness.</td> </tr> <tr> <td>Reasonably constructed working conditions</td> <td>The labor conditions are in compliance with laws and regulations, including working hours, overtime hours, salary payment, overtime pay, and other welfare measures superior to laws and regulations</td> </tr> <tr> <td>Prohibit forced labor and comply with local labor laws.</td> <td>Implement a leave system to encourage employees to value work-life balance.</td> </tr> <tr> <td>Prohibit child labor</td> <td>The Company do not employ child workers under the age of 16, and follows the Labor Ordinance to treat workers under the age of 18, and specify this principle in the "Work Regulations".</td> </tr> <tr> <td>Equality in disability</td> <td>Provide disabled employees the same career development path and salary benefits as that of general employees.</td> </tr> <tr> <td>Gender equality and maternal health protection</td> <td>Prohibit differential compensation, benefits, and promotion opportunities based on gender; respect gender equality and establish sexual harassment prevention regulations; comply with labor laws and gender equality laws to ensure equal employment rights for female workers, including maternity leave, paternity leave, child care leave;</td> </tr> </tbody> </table>	Human rights policy	Management plans	Diversity Inclusion and Equal Employment Opportunity	When recruiting, appointing and developing employees, there is no discrimination due to gender, race, age, marriage, family status, religion, party affiliation, nationality, appearance, facial features, physical and mental disabilities, etc., and we are committed to creating an equal, diverse and inclusive working environment, uphold the principles of openness and fairness.	Reasonably constructed working conditions	The labor conditions are in compliance with laws and regulations, including working hours, overtime hours, salary payment, overtime pay, and other welfare measures superior to laws and regulations	Prohibit forced labor and comply with local labor laws.	Implement a leave system to encourage employees to value work-life balance.	Prohibit child labor	The Company do not employ child workers under the age of 16, and follows the Labor Ordinance to treat workers under the age of 18, and specify this principle in the "Work Regulations".	Equality in disability	Provide disabled employees the same career development path and salary benefits as that of general employees.	Gender equality and maternal health protection	Prohibit differential compensation, benefits, and promotion opportunities based on gender; respect gender equality and establish sexual harassment prevention regulations; comply with labor laws and gender equality laws to ensure equal employment rights for female workers, including maternity leave, paternity leave, child care leave;	
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			<p>committed to ensuring that customer privacy and confidentiality are respected and protected. With explicit authorization or legal requirements, HIWIN will not disclose or use customers' private information and secrets for any purpose. According to TIPS, all customer information, such as customer drawings, is confidential and can only be accessed by authorized personnel. Drawings labeled as confidential cannot be taken out of the plant, and when printed, they will have a watermark indicating the name of the person who printed them and the printing time.</p> <p>4. Human rights protection training: Enterprise management is closely related to government regulations. Shangyin Technology has adopted internal/external courses and internal Announcement for education and publicity, strengthen colleagues' knowledge and application of laws and regulations, and subtly embed human rights issues into appropriate training content. Affected by the epidemic in 2022, the number of new registrations and emergency response physical courses will decrease, resulting in a decline in the number and number of training According to statistics, in 2022, the number of human rights courses will be 2,397 hours, and the total number of trainees will be 2,411; the training hours on anti-corruption issues will be 2,548 hours, and the total number of trainees will be 2,674. During this period, no human rights complaints occurred</p> <p>(3) <u>Employee remuneration:</u> HIWIN provides employees with an annual salary higher than the industry average and the local minimum wage in Taiwan or other parts of the world. The salary includes basic salary, allowances, bonuses, and employee compensation, which is based on factors such as job duties, core functions, education and work experience, performance, market conditions, company profits, retained outstanding personnel, and shareholder interests. The salaries are paid without discrimination based on gender, age, race, religion, political stance, and marital status. They are regularly adjusted based on the overall business operation status and industrial standards.</p> <p><u>Employee benefits:</u> HIWIN provides employee welfare policies such as medical care, comprehensive insurance plans for employees, meal subsidies, wedding and funeral subsidies, childcare subsidies, employee dormitories, and employee remuneration. These policies ensure that each employee receives care for their physical and mental health and that their families have a better quality of life and, in turn, become the tower of strength for HIWIN employees. HIWIN provides employee benefits such as comprehensive insurance plans, meal subsidies, illness compensation, wedding and funeral subsidies, holiday and birthday bonuses, etc. To</p>	

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			<p>encourage childbirth, HIWIN has implemented a childcare subsidy policy since 2012. Regardless of gender, employees who have newborns are eligible to receive a monthly allowance of NT\$5,000 for three consecutive years.</p> <p><u>Workplace diversity and equality:</u> The Company values gender equality, equal pay for equal work, and equal promotion opportunities. The Company pays special attention to the promotion of women. For example, in 2022, female employees accounted for 16% of the total workforce, with female executives accounting for 13% of all executives and female executives at the managerial level or above accounting for 16% of the entire management, which is much higher than other industry peers and most well-known enterprises. For further information, please refer to the description of Note 7(3).</p> <p><u>Business performance reflected in employee salary:</u> The Company adheres to the principle of equal pay for equal work for their salary design. Except for employees on leave without pay, the Company evaluates employees with various evaluations, such as new recruit evaluations, quarterly evaluations, year-end evaluations, and project evaluations to encourage and reward the contributions of outstanding employees. Rewards and bonuses are given based on employee performance, which is the key feature of the Company's reward system design. The lifetime royalty payment system is a great example. Suppose an employee's research and development of new technologies or patents yield profits for the Company. In that case, The Company will regularly pay bonuses to employees as licensing fees, allowing employees and the Company to share their mutual achievements throughout their careers. According to the Company's Articles of Incorporation, when the Company records a profit in the final accounts at the end of the fiscal year, it shall allocate no less than 1% of the profits as remuneration to the employees. The Company and its subsidiaries established a salary scale according to the relative contributions of employees and the level of their positions to provide reasonable salaries. Any changes to salaries and promotions are handled transparently and openly through institutionalized procedures. The company regularly holds briefings on salary adjustments and bonus distribution so that all policies understand the related remuneration policies of the Company. To encourage employees to work hard and contribute to business achievements, a certain percentage of the profit surplus is allocated as employee bonuses. The "Remuneration Committee" also regularly reviews the rationality of the remuneration system.</p> <p>In addition, supervisors may give bonuses based on employees' involvement and cooperation in activities related to sustainable development and the results of</p>	

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			<p>performance evaluations. The Company has also formulated reward and punishment measures, proposal improvement mechanisms, workplace harassment/abuse prevention measures, and complaint/disciplinary procedures to reward achievements and deter illegal behavior so that employees follow the code of conduct and reward and punishment regulations. In addition, HIWIN occasionally holds education and training programs related to sustainable development and uses the results as one of the criteria for performance evaluation and promotion assessment. To enhance the training efficacy, the Company has established a reward and punishment system to ensure the effectiveness of the education and promotion of the above programs. The Company conducts annual surveys of employee salaries in the industry and adjusts them based on the market salary, the status of business operations, and individual performance to maintain competitiveness. In 2022, the average annual salary increase for non-managerial employees in Taiwan was 6% to 10%. For managerial positions, the annual salary increase was 4% to 10%.</p> <p>(4) To prevent and mitigate disasters, the Company utilizes appropriate management tools and available resources to integrate environmental, health and safety issues in the Company operations, propose effective countermeasures, and constantly promote the workplace safety culture with the goal of zero accidents. All HIWIN plants in Taiwan have passed the ISO 45001/CNS 45001 occupational safety and health management system verification, and the ISO 45001 certificates are valid from March 9, 2022, to March 6, 2025. In addition, the Company regularly conducts employee safety and hygiene training, fire drills, work environment hazard assessments, and provides adequate protection to ensure the health and safety of employees. The Company established a systematic management mechanism (ISO 45001 and CNS 45001) to thoroughly implement the environmental, safety, and health policies. Using the PDCA (Plan-Do-Check-Act) management strategy, the Company integrates environmental, safety, and health protection concepts into research and development, production, services, raw material use, and waste emissions. The Company actively promotes various management programs through organizational meetings, education and training, and employee participation to constantly improve and show determination for environmental, safety, and health protection. The method of operations is described below:</p> <p>Each plant has a dedicated occupational safety and health management department and personnel responsible for formulating management plans, promoting work environment and operational hazard identification, assessing and implementing safety and</p>	

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			<p>health management measures, performing automatic pre-operation checks of machinery and equipment, monitoring the work environment, and continuously improve safety and health facilities to create a safe, healthy, comfortable, and friendly working environment. All plants hold regular occupational safety and health committee meetings quarterly to review and improve safety and health issues and take preventive measures for different operation risks, such as machinery and equipment management, contractor management, chemical safety management, personal protective equipment requirements, and safety inspection management. In addition, the plant also holds emergency response drills regularly to minimize employee and company asset losses and social and environmental impacts resulting from disasters.</p> <p>The Company employs contracted physicians and dedicated nursing staff in compliance with the law to provide health services in plants, schedule and implement occupational health education, provide health promotion and guidance, prevent work-related injuries and illnesses, and provide health consultations, first aid, and emergency treatment. They also hold regular health promotion activities, such as healthy diet, stress relief, health preservation with Chinese medicine, and walking exercises to satisfy the health demands of employees. Additionally, the Company provides regular health examinations and special examinations for specific operations for different age groups to effectively assess and monitor employees' health.</p> <p>The Company inspects the operation environment every six months to examine its physical and chemical factors defined by regulations, such as lighting, carbon dioxide concentration, noise, and concentrations of regulated special chemicals. For any abnormality detected in the inspection, the occupational safety personnel of the plant will assess and fix the problem to ensure that the exposure risk of risk factors is reduced to an acceptable level to protect the health of the operating personnel. In addition to enhancing the work environment and occupational health, improvements are also made in the field of ergonomics, including using simple stackers, providing vacuum suction tools, hydraulic trolleys, hand trolleys, staffing, and teaching and promoting correct lifting postures.</p> <p>The implementation results in 2022 are as follows:</p> <ul style="list-style-type: none"> A. The general manager led senior executives to promote safety culture activities, and all executives led their fellow employees to identify hazard factors. The Company held 384 bad-behavior drills to help employees understand how to avoid unsafe actions during operations. B. The number of occupational accidents has shown a significant decrease from 2018 to 2020, but the number of occupational accidents has remained 	

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			<p>between 41 and 43 cases from 2020 to 2022. The causes of these cases have been reviewed, and improvement measures have been implemented across all plants. To continuously improve employee operational safety, HIWIN reviewed the lessons learned from past accidents and formulated improvement activities for prevention and enhancement.</p> <p>C. HIWIN develops yearly safety and health education and training plans to enhance employees' awareness of safety and health. In 2022, the Company held 8 types of internal education and training courses on safety, and a total of 1,383 participants attended the classes. The Company held 10 types of certification courses, and 359 trainees passed the training and obtained the certifications.</p> <p>D. HIWIN employs dedicated nurses and contracted occupational physicians to regularly provide medical care, health consultation, case management, emergency injury and illness treatment, and abnormal examination care in the factories. In 2022, a total of 7,757 patients received these healthcare services.</p> <p>E. The frequency of disabling injuries in 2022 was 0.62, a decrease compared to 0.84 in 2021. 41 occupational accidents occurred in 2022, involving 41 employees (accounting for 0.86% of the total employees at the end of 2022). The Company thoroughly reevaluated and improved the countermeasures and simultaneously performed corrective measures across all plants. The Company immediately revised the items for automated inspection, examined machine safety, reiterated the Company's safety regulations, and initiated supervisor care for employees' physical and mental health to ensure their safety during work.</p> <p>F. To detect health hazards and potential disease factors as early as possible, the Company provided employee health examinations and promoted activities related to chronic disease prevention and cancer screening. The Company analyzed and tracked employee health examination results. Through pre- and post-questionnaire surveys and data tracking and monitoring, the Company could understand individual health issues and provide personal guidance. In 2022, after receiving guidance, 34.1% of the employees with metabolic syndrome experienced a health improvement.</p> <p>(5) The Company has a comprehensive career development and training system, covering the development of key competencies at work, expertise at various levels in various fields, leadership/management skills, and</p>	

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			<p>humanistic values to boost employees' overall abilities. Excellent human resources are the cornerstone of sustainable business operations. To enhance the capabilities and qualities of the employees and maintain a long-term competitive advantage, the Company's chairman of the board, general manager, and first-level senior managers serve as internal instructors. Over the past five years, the Company has spent tens of millions of NTD annually on employee education and training, with a per capita training cost of at least NT\$2,000/person per year, ensuring that every employee has training opportunities.</p> <p>The Company's training program includes recruit training, core competency training, professional competency training, management competency training, and off-site training. Employees can receive appropriate education through diversified and enriching training programs including classroom training, on-the-job training, off-site training, study groups, lectures, advanced studies for degrees, job rotation, and project assignments.</p> <p>The Company provides tuition reimbursement programs for employees interested in continuing education to get degrees. The Company has also collaborated with schools to offer two-year college programs for employees who wish to continue their education.</p> <p>(6) Since the Company's products are marketed worldwide, they must comply with the local environmental regulations of different countries. The Company and its suppliers work together to ensure compliance with these regulations while enhancing product quality and environmental protection awareness and capabilities to assume their mutual responsibilities for sustainable development. HIWIN's drive control and system products are industrial products. The Company aims to grow with its customers by providing them with comprehensive technical support and after-sales service. The Company's website also has a dedicated page for stakeholders to provide feedback or lodge complaints for the Company to respond and protect their rights and interests.</p> <p>(7) Before engaging with suppliers, the Company now requires suppliers to complete a "New Supplier Evaluation Questionnaire," including questions about social responsibilities and past environmental impacts. The suppliers must provide detailed responses, as the questionnaire is the basis for determining whether the Company should have further engagement with the supplier.</p> <p>1. Aside from providing high-tech, high-quality, and cost-effective products, the Company adheres to the philosophy that "Manufacturing is not the goal, but to satisfy human needs" and is devoted to providing diversified services. HIWIN encourages both its employees and suppliers to fulfill their obligations in</p>	

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			<p>protecting the environment, occupational safety and health, and labor rights while providing high-quality products and on-time delivery. This includes compliance with national laws and policies on labor conditions, prohibition of conflict minerals, and ban of harmful substances (such as EU RoHS). Suppliers must also sign a "Declaration of Conflict-Free Minerals" and include labor rights management matters in the procurement contracts with their partners to avoid and reduce potential harm and risks to HIWIN, ensure stakeholders' interests, and provide a good working environment to enhance competitiveness for both parties. The average supplier evaluation score in 2022 was 8.6, slightly lower than 8.7 in 2021, mainly due to the supply and demand imbalance caused by the COVID-19 pandemic, resulting in longer transportation times and labor shortages in suppliers. The Company maintains close communication with its suppliers, procuring in advance and delivering in batches to satisfy customer demands and reduce risks.</p> <ol style="list-style-type: none"> 2. The Company stipulates that when ordering key equipment, they will reevaluate whether to continue the deal if the supplier significantly impacts the environment. When the Company deals with a supplier, both parties must sign a sales contract with sustainability clauses. Both parties should comply with sustainability policies and run their businesses following ethical, legal, and public standards. They should also consider their impact on society and the environment. If either party violates the sustainability policies, the other party has the right to terminate or dissolve the contract at any time. 3. The Company has a specific supplier management policy and regards suppliers as long-term partners. Through close cooperation, the Company jointly pursues sustainable business and mutual growth with its partners. In addition to price, quality, and delivery time, the Company also included environmental safety management, labor rights, and financial evaluation as criteria for selecting new suppliers. The investigation results reveal that 100% of the Company's new supply partners have passed this evaluation. In 2022, 190 new suppliers joined HIWIN's supply chain system. HIWIN conducts annual questionnaire surveys on supplier labor management to evaluate the human rights and labor conditions of its top 100 suppliers. The evaluation results in 2022 showed 100% compliance. 4. The Company always attaches great importance to the employees' safety, health, and comfort level of their working environment. The Company aims to work with all upstream and downstream suppliers to set a new industrial standard in safety, health, and environmental protection. To ensure the safety and 	

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			<p>health of the contractors and employees and maintain facilities, the Company has established management regulations for the Contractor Safety, Health, and Environmental Protection Consultative Organization which 307 contractors have joined. The Company continues to promote this organization and provide assistance when necessary, with the expectation of joint efforts to reduce potential hazards.</p> <p>5. The supplier evaluation and sustainable development questionnaire analysis investigate product quality, supply price, after-sales service, on-time delivery rate, supplier location, flexibility, compliance with confidentiality agreements, supplier inventory policy, environmental safety management, labor rights, and financial assessment, among others. Only suppliers who pass the evaluation can become qualified suppliers of the Company. All suppliers comply with applicable supply chain environmental, safety, and health management regulations.</p>	
5. Does the Company refer to internationally recognized reporting guidelines in preparing non-financial information disclosure reports, such as sustainability reports? Has the Company obtained a third-party assurance or verification for such reports?	V		The Company voluntarily issues a sustainability report every year in June. The 2022 sustainability report has been cross-validated for internal verification of its contents. The 2022 Sustainability Report has been verified by the British Standards Institution Taiwan Branch (BSI). By means of cross-comparison, it refers to the SASB guidelines to disclose relevant ESG information, including the comparison table of SASB industry index indexes. It is in line with the latest version of GRI Standards and AA1000 Standard TYPE I Moderate Guarantee Level Verification Standard, it is expected to obtain the certificate between May and June 2023.	None

6. If the Company has established its sustainability practices based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any difference between the actual implementation and the established practices: The Company established its "Sustainable Development Practice Principles" based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". The actual operation and the established practices have no significant differences. In addition, with the efforts of all employees, the Company has been publically recognized in terms of corporate governance, energy saving, environmental protection, dedication to social welfare, and other stakeholder rights.

7. Other important information that helps comprehending the status of Sustainable Development operations:

1. Global climate change and warming have increased the frequency and intensity of extreme weather events domestically and internationally, significantly impacting livelihoods, properties, and business operations. The Company founded an adaptation management team with Mrs. Enid H.C. Tsai., General Manager, as the convener and Mr. Jun-Liang Wu, the Assistant General Manager, as the risk management representative. The team investigates the internal and external environment and disaster history of plants. Then, the team performs risk assessments to identify potential risks and opportunities for the organization (assets, processes, personnel, supply chain, and finance). After assuming possible disasters (including high temperature, heavy rainfall, flood, drought, strong wind, and lightning strikes) and impacts, the team analyzes and ranks the risks accordingly and then develops action plans.

With this procedure, the team screens out significant risks and opportunities. Then, it conducts climate change risk analysis on aspects including policies, regulations, markets, and production to assess potential financial impacts. The identified risks and corresponding response plans are as follows:

Risk category	Risk assessment subjects	Main response plans
Industry transformation risk	Economic fluctuations	<ul style="list-style-type: none"> Strengthen the promotion of new products Diversify industrial applications

		<ul style="list-style-type: none"> Market assessment mechanism
Climate change risk	Rising average temperature	<ul style="list-style-type: none"> ISO 50001 energy management system goal Maintenance measures for utility equipment
	Greenhouse gas emissions control and carbon fees	<ul style="list-style-type: none"> Voluntary reduction of greenhouse gas emissions and energy consumption Passed the external verification of ISO 14064-1, product carbon footprint inventory, and ISO 50001
Supply chain risk	Time of delivery	<ul style="list-style-type: none"> Develop secondary sources of supply Increase safety stock Sign JIT (Just-in-Time) contracts
	Logistics and transportation	<ul style="list-style-type: none"> Increase safety stock Allocate orders to diversify risks Develop local sources of supply
Intellectual property and litigation risks	Intellectual property rights infringement by others	<ul style="list-style-type: none"> Investigations on infringements Regularly monitor patents/trademarks of other companies Intellectual property application/registration Patent infringement determination Trade secret registration system
Information security risks	Malwares on computers Data cannot be restored	<ul style="list-style-type: none"> Implement protective systems Use backup systems and backup software/hardware
Credit and financial risks	Exchange rate fluctuations Interest rate fluctuations	<ul style="list-style-type: none"> Presell forward foreign exchange management, daily exchange rate management, and foreign currency deposits Use cash offerings to pay bank loans, negotiate project interest rates with banks
Human resource risks	Declining labor force in Taiwan Shortage of talent in science and engineering	<ul style="list-style-type: none"> Recruit international students through platforms and channels Adjust salary structure and implement a guaranteed annual wage system
Occupational safety risks	Imperfect safety operation standards	<ul style="list-style-type: none"> Revise safety operation standards for different processes and mentorship Enhance the precision of safety operation standards

2. The ESG Committee reports to the Board of Directors at least once a year on significant economic, social, and environmental issues discussed and issues discussed with stakeholders based on the materiality principle. The risks, risk management policies, and corresponding measures for 2022 and the following short-, medium-, and long-term goals, as well as the financial impact of climate change risks, have been reported to the Board of Directors on May 10, 2023:

Stakeholder	Employees	Shareholder	Clients	Contractors	Academia
Significance to HIWIN	HIWIN regards its employees as its greatest asset and a critical element of sustainable operations.	Shareholders and investors are the driving force behind HIWIN's sustainable operations and benefits to humanity.	Customer satisfaction is the pivot of the HIWIN's sustainable policies and the source of its operational performance.	For jointly creating a safe and healthy environment, contractors are essential partners in HIWIN's value chain.	Academia is the navigator of knowledge and an indispensable partner in the collaboration between academia, industry, and government to cultivate precision machinery talents.
Stakeholder	Employees	Shareholder	Clients	Contractors	Academia
Issues and risks of concern	<ul style="list-style-type: none"> Employer/employee relations Occupational Safety and Health Training and Education Market Position Labor relations 	<ul style="list-style-type: none"> Economic Performance Intelligent Machine Marketing and Labeling Market Position 	<ul style="list-style-type: none"> Intelligent Machine Customer Privacy Economic Performance Market Position Marketing and Labeling 	<ul style="list-style-type: none"> Economic Performance Market Position Intelligent Machine Wastewater and waste Occupational Safety and Health 	<ul style="list-style-type: none"> Intelligent Machine Industry-academia collaboration Occupational Safety and Health Economic Performance Training and Education

<p>Risk management policies and corresponding measures</p>	<ul style="list-style-type: none"> • Sound compensation and benefit plans, retirement system, labor insurance, health insurance, and additional group insurance • Diversified employee communication channels and various mechanisms to take care of employees' physical, mental, and spiritual health • Regular education and training, book clubs, lectures, and degree programs 	<ul style="list-style-type: none"> • Hold at least one board meeting every quarter to review business performance and discuss critical strategic issues • Board of directors reviews potential significant risks, formulates operating plans, and continues to closely monitor and improve through strict internal operation procedures • Critical company decisions are immediately announced on the TWSE Market Observation Post System • Internal control of private information and business secrets 	<ul style="list-style-type: none"> • Provide high-quality pre-sales and after-sales services through customer surveys, frequent visits, and communication • Quickly inform customers about product and service information through webpage updates, subsidiary websites, and 3D website deployment • Maintain and manage customer visit data and after-sales service information through software; potential business opportunities obtained from exhibitions and official website message boards can also be tracked and managed through software • Provide online and real-time responses through mobile apps (official LINE and WeChat accounts) 	<ul style="list-style-type: none"> • Perform safety and health management and control for contractors to prevent work accidents through source management • Hold annual consultative organization meetings • Conduct annual evaluations of contractors • Perform internal employee and supervisor training 	<ul style="list-style-type: none"> • Hold HIWIN Thesis Award, HIWIN Doctoral Dissertation Award, and HIWIN Robotics Competition every year • Hold annual automation engineer and robotic engineer certification exams • Comply with government environmental, safety, and health regulations and other requirements • Publish sustainable development reports, arrange visiting activities, and invite HIWIN experts to give lectures at schools
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Short and medium-term goals for major ESG topics (to be updated):

Issue	Short-term goals	Medium-term goals
Innovation management	<ol style="list-style-type: none"> 1. Investing in research and development expenditure accounts for 4% of turnover 2. Cumulative number of global patent layout: 3,480. 3. Out put per person:NT 7.4 million dollars. 	<ol style="list-style-type: none"> 1. Investing in research and development expenditure accounts for 6% of turnover 2. Cumulative number of global patent layout: 4,000. 3. Out put per person:NT 10 million dollars.
Environmental	<ol style="list-style-type: none"> 1. Full product manufacturing energy intensity reduction: 12%. 2. Improvement of energy utilization rate of electromechanical products: 2.5%. 3. Packaging material recycling rate increase: 2.5%. 	<ol style="list-style-type: none"> 1. Full product manufacturing energy intensity reduction: 54%. 2. Improvement of energy utilization rate of electromechanical products: 20%. 3. Packaging material recycling rate increase: 20%.
sustainable supply chain	<ol style="list-style-type: none"> 1. Key supplier sustainability management on-site audit: 15. 2. Decentralization of production bases/development of new suppliers: 3 items. 3. The amount of green procurement accounted for the total annual procurement amount: 5%. 	<ol style="list-style-type: none"> 1. Key supplier sustainability management on-site audit: 135. 2. Decentralization of production bases/development of new suppliers: 26 items. 3. The amount of green procurement accounted for the total annual procurement amount: 10%.

Climate Strategy and Energy Management	<ol style="list-style-type: none"> 15% reduction in total greenhouse gas scope 1 and 2. Cumulative renewable energy power generation capacity of 2,900KW. A total of 8,222 kilowatt-hours of electricity were saved in energy-saving projects. 	<ol style="list-style-type: none"> 50% reduction in total greenhouse gas scope 1 and 2. Cumulative renewable energy power generation capacity of 12,100KW. A total of 27,406 kilowatt-hours of electricity were saved in energy-saving projects.
water resource management	Water recovery rate up to 12%	Water recovery rate up to 16%
waste management	Waste recycling rate of 79%	Waste recycling rate of 83%

Financial implications and opportunities of climate change risks:

Type	Subject	Scenario and financial implication	Current cost of management	Future action plan
Transition risk	Market	The Company's internal decarbonization timeline may not satisfy the growing customer demand for low-carbon products, potentially affecting orders and revenue (mid-term, 4-5 years)	<ul style="list-style-type: none"> R&D of low-carbon products Energy-saving projects Automation Replacement of production equipment Implementation of ISO14067 Product Carbon Footprint and ISO50001 Energy Management System 	<ul style="list-style-type: none"> Energy-saving plan evaluation Continuous development of low-carbon products Product carbon footprint inventory
	Policies and regulations	International corporations require carbon assessment and product carbon footprint information, and the Company must begin formulating decarbonization plans for SBT, green energy, and low-carbon equipment/materials/products. Failure to respond promptly to this issue may result in losing orders (short-term, 1-3 years)	<ul style="list-style-type: none"> R&D of low-carbon products Implementation of energy-saving equipment Implementation of solar equipment Process Improvement Implementation of ISO14067 Product Carbon Footprint and ISO50001 Energy Management System 	<ul style="list-style-type: none"> Establish a carbon footprint platform Continuous development of low-carbon products Continuous implementation of solar equipment
Actual risk	Long-term	Drought caused by extreme climates may result in operational losses. Based on the drought in central Taiwan in 2021, the Company estimates that: (1) During the peak of the drought, the water supply may be suspended three days per week. With an average water storage that can only last for two days, the Company must shut down for two days; (2) If the Yunlin plants experience a two-day water	<ul style="list-style-type: none"> Purchase water containers and water trucks Implementation of water recycling facilities (water-saving equipment) Install smart water meters ISO 46001 certification for the headquarters 	<ul style="list-style-type: none"> Capacity scheduling Install more smart water meters ISO 46001 certification for Yunlin Plants Purchase and signing of long-term water truck contracts

		suspension, it also needs to shut down for two days (mid-term, 4-5 years).		
	Immediacy	<p>Extreme weather causes flooding and disrupts transportation</p> <ol style="list-style-type: none"> 1. Employees can not commute, resulting in production disruptions, financial losses, and decreased revenue 2. Raw material suppliers can not produce or deliver goods normally, affecting business operations 3. R&D projects are delayed and unable to meet customer demands, damaging the Company's reputation <p>(Short term, 1 - 3 years)</p>	<ul style="list-style-type: none"> • Capacity scheduling • Purchase sandbags • Develop new suppliers 	<ul style="list-style-type: none"> • Implement work-from-home and remote operation systems • Implement smart manufacturing in production lines • Install floodgates • Get materials from air transportation instead of sea transportation • Property insurance
Opportunity	Resilience	<p>Prepare for future low-carbon material demands in advance to prevent potential supply chain disruption: (Scenario 1) Estimate the possibility of raw material price inflation to reduce operational costs. (Scenario 2) Enhance supply chain resilience to avoid supply chain disruptions and increase local procurement percentage (Short-term, 1-3 years)</p>	<ul style="list-style-type: none"> • Supplier capacity platform development • Develop new low-carbon materials • Develop alternative sources of supply (including local procurement) • Safety stock (funds and warehousing costs) 	<ul style="list-style-type: none"> • Develop diverse suppliers • Process Improvement • Keep developing new materials
	Technology	<p>In response to the trend of net-zero carbon emissions and to reduce product lifecycle carbon emissions, the Company introduces new technologies and automated carbon management platforms, such as the Internet of Things (IoT), big data analytics, and smart manufacturing, to improve productivity, reduce power consumption, minimize material usage and waste generation, and lower operational costs.</p> <p>(Short term, 1 - 3 years)</p>	<ul style="list-style-type: none"> • Introduce smart manufacturing • Invest in energy-saving and waste reduction • Adopt ISO14067 and ISO50001 standards 	<ul style="list-style-type: none"> • Energy creation • Keep promoting smart manufacturing • Establish a carbon footprint platform • Establish a energy visualization platform • Optimize production processes

3. Workplace diversity and gender equality policies:

The Company is devoted to providing a safe working environment for employees, ensuring equality in diversity hiring, compensation, and promotion opportunities, and preventing discrimination, harassment, or unequal treatment based on race, gender, religion, age, political affiliation, or any other protected situation under applicable laws. The policies include:

- Employment of the disabled and underprivileged:

As of 2022, 40 employees with disabilities and 25 indigenous employees are employed at HIWIN. Upholding the spirit of diverse employment as the sustainability guideline, HIWIN follows government regulations on the employment quota of people with disabilities and pays respect to unique cultures by providing special holidays for indigenous employees to participate in critical indigenous ceremonies. There has been no discrimination or violation of the rights of indigenous people.

- Respect and equality:

The Company protects constitutional rights and implements gender equality laws to treat all employees equally regardless of gender, religion, race, nationality, or political affiliation. The Company respects professional talents of all kinds with consistent and fair salary structures and benefits.

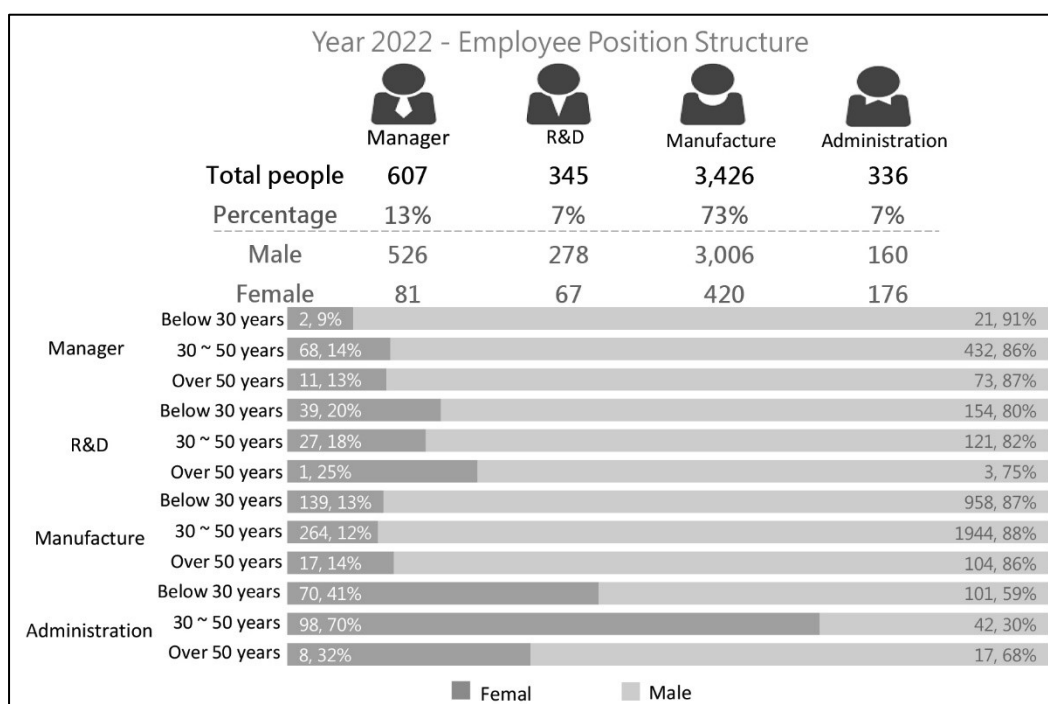
- Female workforce in technology

Given the characteristics of the industry and the job market, most of HIWIN's employees are male. However, in recent years, the boundaries of gender roles have gradually blurred as HIWIN actively recruits female employees in R&D and technologies. In addition, HIWIN is committed to creating a respectful and harmonious workplace by implementing friendly measures, such as reserved parking spaces for pregnant women, lactation rooms, and sexual harassment prevention courses. HIWIN also established a dedicated and independent channel for sexual harassment reports to ensure female employees can demonstrate their strengths with peace of mind. The results are as follows, with the highest percentage of women in the machinery industry:

Indicator	Percentage (%)
Women in total employees	16
Women in all executives	13
Women in senior executives	16

• Other diversity results (age/race):

Employee age and position:



Note:

Percentage of each position = Number of employees in that position ÷ Total number of employees in the company

Gender ratio of each age group in each position = Number of different gender employees in the age group in the position ÷ Total number of employees in the age group in the position

Employee Nationality:

Nationality	Administration	R&D	Manufacture	Total	%
Taiwan	484	474	2,944	3,902	82.8%
Philippines	-	-	703	703	14.9%
Vietnam	-	-	91	91	1.9%
India	2	4	-	6	0.1%
Malaysia	-	3	3	6	0.1%
Indonesia	2	2	-	4	0.1%
Belarus	1	-	-	1	0.0%
Italy	1	-	-	1	0.0%
Total	490	483	3,741	4,714	100.0%

Note: 1. Administrative personnel are the managers or engineers indirectly related to production activities, such as sales personnel, IT personnel, etc.

2. Manufacturing personnel are those directly related to production activities, such as production technicians, inspectors, etc.

3. R&D personnel are those engaged in the actual advancement of technology, products, and services, like R&D engineers.

4. Investment and specific benefits in energy-saving or green energy-related environmental sustainability equipment and Taiwan's green energy industry

(1) Investment in energy-saving equipment:

In 2022, the investments in energy-saving and environmental sustainability equipment mainly included air compressors and package air conditioners. Using scientific methods, the Company replaced low-efficiency, power-consuming equipment with high-efficiency energy-saving equipment. The total investment was about 6.25 million NTD, achieving approximately 526,000 kWh of power saving and 267 tons of CO₂e emission reduction per year.

Types of Energy-saving Equipment	Investments in 2022		Benefits	
	Investment Plan	Investment Cost	Energy Savings	Carbon Reduction
		(10,000 NTD)	(kWh/year)	(kgCO ₂ e/year)
Air compressors	Replace with high-efficiency models	150	161,136	82,018
	Replace with high-efficiency models	155	150,675	76,694
	Replace with high-efficiency models	155	46,305	23,569
	Replace with high-efficiency models	15	100,820	51,317
Package air conditioner	Replace with high-efficiency models	150	66,885	34,044
Total		625	525,821	267,643

(2) Invest in green energy:

In 2022, the Company invested NTD 1.599 billion in Eterbright Solar Corporation, a solar energy industry, to cash increase its capital through cash. With sustainable development, carbon reduction, and clean energy as its core values and vision, Eterbright is currently the only manufacturer in Taiwan that produces CIGS thin-film photovoltaics with a cadmium-free process. Eterbright's products have the advantages of having the lowest temperature coefficient, being anti-shading, having non-declining stable efficiency, being able to generate power with weak light, and using cadmium-free and lead-free eco-friendly materials. Complying with the RoHS regulations, these products are genuinely environmentally friendly and can satisfy environmentally conscious customers worldwide. Upholding the dream of co-creating a clean and green future, Eterbright constantly invests in developing resources to improve conversion efficiency. Eterbright also actively innovates PV application products, contributing to green homes and eco-lifestyles. In 2022, the total product sold domestically and worldwide by Eterbright can generate 2,020,260 watts of green power, equivalent to 4,232,647 kWh of electricity and a carbon reduction of 2,154,420 kilograms. This is equivalent to planting 3,913 trees or having 5.57 Daan Forest Parks. In addition, the Company has planned to install solar equipment on all building rooftops in every plant. The planned power generation capacity and performance for 2022 and future years are as follows:

Subject	Power generation capacity (KW)	Investment (10,000 NTD)	Carbon emission reduction (kg/year)
Completed in 2022	535	3,650	343,460
To be completed in 2023	2,387	10,037	1,532,096
To be completed in 2024	1,000	5,000	641,849
To be completed in 2025	1,769	8,845	1,135,430
To be completed in 2030	8,163	32,315	5,239,412
Total	13,854	56,044	8,892,247

5. HIWIN's social participation:

HIWIN Technology's investment in corporate social participation in 2022 is NT\$93,491,000, including five major items: talent cultivation NT\$55,815,000, industry-university cooperation NT\$22,607,000, community care NT\$7,600,000, industry Promote NT\$1,500,000 and creative cooperation NT\$5,969,000. The specific promotion plans and implementation results of the company's sustainable development in 2022 are briefly described as follows:

Talent Cultivation:

In addition to promoting the brand and building core technologies, Shangyin Technology has also actively invested in a series of public welfare activities for the cultivation of talents in the field of precision machinery with the growth of operating profits, and has dedicated itself to creating a society of learning and growth (refer to Chinese version no.57~58).

Industry-academia collaboration-

Talent cultivation is the key competitiveness of an enterprise's sustainable operation. Since 2011, Shangyin Technology has actively participated in the multi-industry-university cooperation plan promoted by the government. High-level talents with both theoretical foundation and practical skills will establish a succession echelon for the new generation. (refer to Chinese version no.58)

Community care:

Hiwin Technology will invest in local community care activities in the locations where the company operates, and contribute to social participation through resource sponsorship and the love of Hiwin Technology volunteers(refer to Chinese version no.58).

Industry promotion:

In order to grasp the development trend of the global industry, Shanghai Bank actively participates in the operation of public associations, is committed to integrating resources, expanding synergy, building an industrial ecosystem through like-minded partners, promoting industrial transformation and upgrading, and enhancing overall competitiveness.(refer to Chinese version no.58-59)

Creative cooperation:

Hiwin Technology has long participated in creative and inspiring cross-border co-creation events, stimulating Taiwan's soft power and making Taiwan visible to the world. In 2022, the investment amount will be NT5,969,000. (refer to Chinese version no. 59)

(vi) Integrity management implementation

Evaluation	Implementation results		Differences against the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No		Summary
<p>1. Formulating integrity management policies and plans</p> <p>(1) Has the Company established an integrity management policy approved by the Board of Directors and clearly stated such policies and practices in its code of practice and external documents? Did the Board of Directors and senior management actively fulfill the commitment to the policy?</p> <p>(2) Has the Company established a risk assessment mechanism for dishonest behavior, regularly analyzed and evaluated business activities within its scope of operations with a higher risk of unethical behavior, and formulated corresponding measures to prevent such behavior, covering at least the preventive measures for behaviors mentioned in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Has the Company established operational procedures, behavior guidelines, disciplinary measures for violations, and a complaint system to prevent dishonest behavior, enforced them effectively, and regularly reviewed and revised them?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company established the "Code of Integrity Management" on November 6, 2014, through the resolution of the Board of Directors. The code was amended on May 11, 2016, March 26, 2016, and May 6, 2019. In addition, the Board of Directors amended the "Code of Ethical Conduct" on November 6, 2015, which sets forth the policies and practices for the Company's integrity management and the commitment of the Board of Directors and management to actively enforce this policy. Board members and management must adhere to these principles of integrity in their business activities. Furthermore, the Company disclosed the "Code of Integrity Management" and "Code of Ethical Conduct" on its website to enhance employees' awareness of the Company's integrity management principles.</p> <p>(2) The Company has also established the "Employee Code of Conduct" and "Operating Procedures and Behavioral Guidelines for Integrity Management" which specify various operating procedures. If employees violate the code of conduct or involve in fraudulent activities, the Company will take appropriate disciplinary measures based on the severity of the situation. Anyone who notices any violation of government laws or fraudulent activities can report it through email or in writing to independent directors, managers, internal auditors, or other appropriate personnel. Upon receipt of the report, the relevant personnel will report to the Chairman, and the internal auditors will occasionally review the compliance with the system mentioned above and include the occurrence of dishonest behavior as part of the audit to ensure adherence with the code. The Company's behavioral guidelines also stipulate the procedures and methods for reporting, including establishing an independent whistleblower mailbox for internal and external personnel, the report handling process by dedicated departments, record management methods, and whether whistleblowing rewards are given. All the information above has been disclosed on the Company's website. The Company has established the "Employee Code of Conduct" following the "Code of Integrity Management". The Company has also established preventive measures for high-risk dishonest behaviors in business activities under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" or other business activities within the Company's scope of operation. The internal audit department also plays an essential role in ensuring compliance with the code of ethics and regulatory requirements. To ensure the accuracy, reliability, and timeliness of financial, management, and</p>	<p>None</p>

Evaluation	Implementation results			Differences against the Ethical Corporate Management Best Practice Principles for TWSE/TPE x Listed Companies and reasons
	Yes	No	Summary	
			<p>operational information and employees' compliance with relevant policies, guidelines, procedures, and regulations, the internal audit department conducts various inspections under the annual audit plan approved by the Board of Directors. The audit department will report the results and follow-up improvement plans to the Board of Directors to put the audit results into practice.</p> <p>(3) 1. The Company formulated the "Operating Procedures and Behavioral Guidelines for Integrity Management" on November 10, 2015, which explicitly mandates employees to always return or refuse any valuables if no supervisor approves, report to their immediate supervisors of such incidents, and inform the Chairman's Office or the responsible department of the Company. The Company should propose appropriate suggestions such as returning, accepting, confiscating, or donating to charity based on the nature and value of the interests involved.</p> <p>2. To implement integrity management, the Human Resources Department is responsible for promoting and implementing integrity policies and preventive measures. The Audit Office, directly under the Board of Directors, conducts occasional inspections and follow-ups to improve the enforcement of the policies and reports and reviews abnormalities at any time if any occur.</p>	
<p>2. Implementation of integrity management</p> <p>(1) Has the Company evaluated the integrity records of its counterparties and included integrity clauses in contracts signed with them?</p> <p>(2) Has the Company established a dedicated department under the Board of Directors to promote corporate integrity management and regularly (at least once a year) report the implementation and supervision results of integrity management policies and preventive measures against dishonest behaviors to the Board of Directors?</p> <p>(3) Has the Company formulated policies to prevent conflicts of interest, provide appropriate reporting channels, and thoroughly implement them?</p> <p>(4) Has the Company established effective accounting and internal control systems to implement integrity management, designated its internal audit department to formulate audit plans based on the assessment results of dishonest behavior risks and review the compliance with the preventive strategies against unethical behaviors, or commissioned accountants to perform inspections?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has established an evaluation mechanism for its suppliers and contractors. When signing contracts with them, detailed rights and obligations of both parties are specified, and confidentiality agreements and honesty and integrity agreements are signed. HIWIN's Intellectual Property Team has also incorporated clauses on integrity behaviors into various standard form contracts, requiring transaction parties to uphold their integrity. If they are involved in any dishonest behavior, the Company may unconditionally terminate or rescind the contract at any time.</p> <p>(2) HIWIN's Human Resources Department is responsible for promoting and implementing integrity management policies. The Company's "Integrity Management Team", with General Manager as the convener, ensures each department complies with integrity management policies for all the operations within their scope, doing their best to facilitate corporate integrity management. All employees, managers, and directors should adhere to the "Code of Integrity Management" and report to the Board of Directors at least once a year. The implementation results of integrity operations in 2022 were reported to the Board of Directors on May 10, 2023. If any employee discovers any acts of dishonesty, they may also report them through the Company's public channels. For severe cases, occasional reports shall be made to the Board of</p>	None

Evaluation	Implementation results			Differences against the Ethical Corporate Management Best Practice Principles for TWSE/TPE x Listed Companies and reasons
	Yes	No	Summary	
(5) Does the Company regularly hold internal and external lectures and training on integrity management?			<p>Directors for them to supervise the enforcement of the integrity principles. The implementation results of the Company's integrity management policies in 2022 are as follows:</p> <ol style="list-style-type: none"> 1. Education and training: The Company provided training courses on regulations, auditing, risk management, and fraud prevention. The Company also arranged corporate integrity symposiums and external training courses on fraud risks for supervisors and employees. 2. Compliance promotion: In 2022, the Company emphasized the implementation of the Company's business philosophy of "Professionalism, Enthusiasm, and Morality". 3. Communication channels: Employees can report possible integrity violations to the Human Resources Department, management, and independent directors through various channels. The Human Resources Department is responsible for coordinating the handling of such matters. 4. Regular inspections: The Company conducts a self-assessment of corruption risks annually to achieve effective management and implementation by designating its audit department to perform independent audits. There were no significant corruption issues in 2022. 5. Whistleblowing system: The Company's website specifies the channels through which internal or external personnel can report dishonest behavior. In addition to protecting the whistleblower's identity, the audit department will also conduct special investigations. In 2022, the Company received seven complaints and resolved all successfully. <p>(3) In cases of conflicts of interest, internal employees can report the issues to their immediate supervisors and the audit department. Employees can also report the problems through the Chairman and CEO's complaint box so they can handle the issues personally. For any violations of the integrity regulations, reports can be made under the Company's whistleblowing procedure. The accused person will have an opportunity to express their opinions or appeal.</p> <p>(4) The Company's philosophy of "Professionalism, Enthusiasm, and Morality" demonstrates its commitment to integrity management. To establish and develop a corporate culture of integrity management, the Company formulated the "Code of Integrity Management" and established effective accounting and internal control systems to establish a corporate culture of integrity management. The Company's internal audit department has also established an internal audit plan to conduct various operations. In addition, the audit department also inspects specific employees occasionally for integrity matters or fraud. In 2022, no abnormality was found.</p>	

Evaluation	Implementation results			Differences against the Ethical Corporate Management Best Practice Principles for TWSE/TPE x Listed Companies and reasons								
	Yes	No	Summary									
			<p>(5) The Company conducts education and promotion of applicable laws and regulations for directors, managers, and employees at least once a year.</p> <p>Implementation status: In February 2023, the Company completed the education and promotion for current directors and managers. Through monthly morning meetings, basic/promotion training for new employees and supervisors, and other methods, the Company promotes the concept of business integrity as well as the "Code of Integrity Management" and the "Operating Procedures and Behavioral Guidelines for Integrity Management" and other regulations, emphasizing the need to avoid conflicts of interest, avoid accepting gifts from vendors, insider trading, and maintaining business confidentiality, etc. The integrity-related courses in 2022 include topics such as the scope of material inside information, confidentiality operations, legal knowledge clarification, and business management meetings, etc., summarized as follows:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Classes</th> <th>Hours</th> <th>Participants</th> </tr> </thead> <tbody> <tr> <td>Integrity management courses</td> <td>358</td> <td>2,594</td> <td>3,843</td> </tr> </tbody> </table>	Category	Classes	Hours	Participants	Integrity management courses	358	2,594	3,843	
Category	Classes	Hours	Participants									
Integrity management courses	358	2,594	3,843									
<p>3. Operation of the Company's whistleblowing system</p> <p>(1) Has the Company designed specific whistleblowing and reward systems, set up convenient channels for whistleblowing, and appointed appropriate personnel based on the reported subject?</p> <p>(2) Has the Company established a standard operating procedure for investigating whistleblowing matters, measures to be taken after the investigation, and related confidentiality mechanisms?</p> <p>(3) Does the Company take measures to protect whistleblowers from improper treatment due to their actions?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company formulated the "Employee Code of Conduct" that specified the whistleblowing system and established a reward and punishment system for the employees. To encourage whistleblowers to report integrity violations, the Company set up complaint mailboxes on The Company's website for the Chairman, General Manager, and the Human Resources Department for whistleblowers to report directly by letter. If the Chairman and CEO receive whistleblowing letters, they will instruct the Audit Office or Human Resources Department to handle the matter. In addition, the Company set up independent director mailboxes for internal and external personnel to send letters directly to the independent directors.</p> <p>The Company has also set up an independent whistleblowing mailbox or hotline for internal and external personnel. Also, the Company's "Operating Procedures and Behavioral Guidelines for Integrity Management" explicitly specified the information that whistleblowers should provide, the acceptance level for different reported subjects, the handling procedure of the designated departments, and the matter of giving whistleblowing rewards, and has disclosed relevant information on the Company's website.</p> <p>(2) The Company has established procedures for investigating whistleblowing cases under the "Employee Code of Ethics".</p>	None								

Evaluation	Implementation results			Differences against the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Upon receiving a whistleblowing report, relevant personnel should immediately report to the Chairman. The Company will then provide comprehensive protection to the whistleblower under Article 7 of the procedures to ensure the quality of investigation and avoid unfair retaliation or treatment against whistleblowers. The Chairman should instruct relevant departments to conduct private investigations, handle the reported matters, and enhance the confidentiality of the reported issues and whistleblowers' information.</p> <p>(3) According to Article 7 of the procedures, the Company will provide comprehensive protection to the whistleblower and keep their names and other information secret to ensure the quality of investigation and avoid unfair retaliation or treatment against whistleblowers.</p>	
<p>4. Strengthening information disclosure</p> <p>Has the Company disclosed its code of integrity management and implementation results on the company website and the Market Observation Post System?</p>	V		<ol style="list-style-type: none"> 1. The Company has disclosed related information on its website and the observation post system, including its philosophy of integrity management, corporate mission, and brand significance. The Company also posted its "Code of Integrity Management" on its website and the Market Observation Post System. 2. The Company set up a Corporate Governance section on its website to disclose its "Code of Integrity Management" and established a dedicated department responsible for collecting and publishing various company information. The Company also disclosed relevant and reliable integrity-related information in the annual report and sustainability report. 	None
<p>5. If the Company has established its integrity management practices based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", describe the differences between the actual operation and the established practices: The Company formulated its "Code of Integrity Management" and "Operating Procedures and Behavioral Guidelines for Integrity Management" based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" following the examples provided by the Taiwan Stock Exchange. The Company also mandates relevant departments to implement and internalize the requirements of the codes and guidelines in their daily operations. Therefore, no significant differences exist between the actual operation and the established codes and behavior guidelines.</p>				
<p>6. Other important information that helps comprehending the status of Integrity Management operations:</p> <ol style="list-style-type: none"> 1. The Company regularly holds educational training to promote integrity principles. The Company also designed an "Honesty and Integrity Agreement" and mandates its suppliers to sign it to show their commitment to abide by integrity principles in their dealings with the Company. 2. The Company complies with the Company Act, Securities and Exchange Act, listing requirements, and relevant regulations as the basis for implementing integrity in business and prohibits any dishonest behavior with counterparties of transactions. The Company revised its "Code of Integrity Management" and "Operating Procedures and Behavioral Guidelines for Integrity Management" on May 6, 2019. 				

(vii) Inquiry methods for corporate governance rules and regulations:

1. Company governance regulations

- (1) Following the relevant norms set by the Financial Supervisory Commission, Executive Yuan, the Company has established the Operating Procedures of Asset Acquisition and Disposal, Procedures for Endorsements and Guarantees, Procedures for Lending Funds, Rules and Procedures of Board Meetings, and the Organizational charter of the Remuneration Committee.
- (2) Following the relevant norms and examples set by the Taiwan Stock Exchange, the Company has established the Code of Integrity Management, Code of Ethical Conduct, Code of Practice on Corporate Governance, Sustainable Development Practice Principles, Rules of Procedure for Shareholder Meetings, and Rules of Directors Election.

2. Inquiry methods: The information above can be downloaded in "Relevant Regulations and Rules for Corporate Governance" under the "Corporate Governance" section on the "Market Observation Post System" or in "Relevant Rules of Corporate Governance" under the "Investor" section of the Company's website at: http://www.hiwin.com.tw/stock/corporate_governance.aspx

(viii) Other Important information helpful for enhancing understanding of the corporate governance of the Company: None.

(ix) Implementation of the internal control system

1. Statement on Internal Control

HIWIN Technologies Corp.

(1) Statement on Internal Control System

HIWIN Technologies Corp. Statement on Internal Control Institution

Date: 2023/2/24

The company hereby makes the following statement about its internal control system for 2021 based on its self-examination:

1. The company is aware that it is the Board and managers' responsibility to establish, implement, and maintain an internal control system and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance, and protection of assets) of the Company's operations, the reliability of its financial statements, and compliance with relevant laws and regulations.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure the achievement of the above three objectives. In addition, an internal control system's effectiveness may change as circumstances change. Nevertheless, self-supervision mechanisms have been built into the Company's internal control system. Once a deficiency is identified, the Company will immediately take corrective actions.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter, the "Regulations"). The Regulations provide measures for judging the effectiveness of the internal control system. Based on the management control process, the Regulations divided the internal control system into five components, namely: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each component consists of several items. Please refer to the Regulations for these items.
4. The Company uses the criteria above to determine whether the design and implementation of its internal control system is effective.
5. Based on a test using the above criteria, the Company believes that, as of December 31, 2022 (Note 2), its internal control system (including supervision and management of subsidiaries) is effective and, therefore, can reasonably ensure the achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, reliability of financial reporting, and compliance with the law.
6. This statement shall become a principal part of the Company's annual report and prospectus and be available to the public. If the above content is untruthful or certain critical information is withheld, the Company shall be held liable pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
7. This statement was approved on February 24, 2023, by the Board, with all ten directors present agreeing with its content.

HIWIN Technologies Corp.

Chairman: Eddie W.H. Chuo

General Manager: Enid H.C. Tsai.

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: None.

(x) In the last year and as of the publication date of the Annual Report, any disciplinary measures taken against the company or its internal staff according to law or taken by the company against its staff due to violations of the internal control system, the main deficiency and improvement: None.

(xi) Major resolutions of Shareholder and Board Meetings in the last year and as of the publication date of the Annual Report:

1. Resolutions from the shareholders' meeting:

Date	Important Resolutions	Implementation Details
2022.06.27	Approved the 2021 business report and financial statement proposal	Relevant forms have been submitted for inspection and announcement in accordance with the company law and other relevant laws and regulations.
	Approved the 2021 surplus distribution proposal	According to the content of the resolution, a total of NT\$ 4.5 per share was distributed on August 8, 2022
	Approved the amendments of the Company's Articles of Incorporation	Took effect after the resolution of the shareholders' meeting was passed, and it was approved and registered by the Ministry of Economic Affairs on July 26, 2022.
	Approved the amendment to the Operational Procedures for Acquisition and Disposal of Assets	Took effect after the resolution of the shareholders' meeting was passed, and it will be announced in accordance with the regulations.
	Approved the amendment to the Director Election Procedure	Took effect after the resolution of the shareholders' meeting was passed.
	Approved the amendment to the Rules of Procedure for Shareholder Meetings	Took effect after the resolution of the shareholders' meeting was passed.
	Approved the election of the 12th Board of Directors	The 12th Board of Directors - Eddie W.H. Chuo, Eric, Y. T. Chuo, Shun-Chin Lee, Hsiu-Yu Chuo, Chin-Tsai Chen, Enid H.C. Tsai., Sanko Investments Ltd., Cheng-He Chiang, Zhen-Yuan Chen, Hui-Xiu Lee assumed office on the same day. This was approved and registered by the Ministry of Economic Affairs on July 26, 2022.
	Approved the lifting of the prohibition on competition of the 12th session of directors and their representatives	Took effect after the resolution of the shareholders' meeting was passed, and the information will be announced in accordance with the regulations.

2. Resolutions from the board meeting:

Date	Important Resolutions
2022.02.25	Approval of the 2021 Employee Remuneration and Director Remuneration Proposal Approval of the 2021 "Internal Control System Statement" Approval of the 2021 Business Report Approval of the 2021 Financial Statements Approval of the 2021 surplus distribution plan Approval of the amendment to the Company's Articles of Incorporation Approval of the amendment to the Operational procedures for Acquisition and Disposal of Assets Approval of the Amendment to the Procedure of Director Election Approval of the election of the 12th Board of Directors Approval of the time, place, proposal, and related matters of the 2022 Annual General Meeting of Shareholders and acceptance of shareholder proposals and matters related to the nomination of directors and independent directors Approval of the revision of the Director's Performance Evaluation and Remuneration system Approval of the 2022 Business Plan Approval of the internal adjustment of Deloitte Touche Tohmatsu Accounting Firm and the proposal to replace the certified accountant Approval of the assessment of the independence and suitability of certified public accountants and the case of remuneration for appointment Approval of the endorsement guarantee of the subsidiary Eterbright Solar Corporation

Date	Important Resolutions
	<p>Approval of the endorsement guarantee case of the subsidiary Matrix Precision</p> <p>Approval of the Japanese subsidiary overdue account transfer funds loan case</p> <p>Approval of the donation of funds to the "HIWIN Education Foundation"</p> <p>Approval of the Amendments to the "Code of Practice on Corporate Governance"</p> <p>Approval of the revision of the "Procedures for Preventing Insider Transactions and Handling Internal Significant Information"</p>
2022.05.10	<p>Approval of the nomination of the list of candidates for the 12th Board of Directors and the review of the qualifications of independent directors</p> <p>Approval of the lifting of the prohibition on competition of the 12th session of directors and their representatives</p> <p>Approval of the amendment to the "Rules of Procedure for the Shareholders' Meeting"</p> <p>Approval of the change of venue of the 2022 general meeting of shareholders, new proposals for discussion, and related matters</p> <p>Approval of the 2022 Q1 consolidated financial statements</p> <p>Approval of the domestic cash capital increase and issuance of ordinary shares</p> <p>Approval of the construction of the third phase of Yunlin Science Park Plant 3.</p> <p>Approval of the financing endorsement guarantee case for the construction of the Japanese subsidiary's factory</p> <p>Approval of the Japanese subsidiary overdue account transfer funds loan case</p> <p>Approved the renaming of the "Corporate Social Responsibility Practice Principles" to the "Sustainable Development Practice Principles"</p> <p>Approval of the revision of the Director's Performance Evaluation and Remuneration system</p>
2022.06.22	<p>Approval of leasing factories from Hiwin Mikrosystem Corp.</p>
2022.06.27	<p>Approval of the election of the 12th chairman and vice chairman</p> <p>Approval of the appointment of members of the 5th Remuneration Committee</p> <p>Approval of the appointment of members of the 2nd Nomination Committee</p> <p>Approval of the appointment of members of the 3rd Audit Committee</p>
2022.07.05	<p>Approval of the determination of the issue price of cash capital increase</p> <p>Approval of the employee stock purchase plan for cash capital increase</p> <p>Approval of the manager stock purchase plan for cash capital increase</p> <p>Approval of the demolition and reconstruction project of Gong Plant I</p> <p>Approval of the Japanese subsidiary overdue account transfer funds loan case</p>
2022.08.10	<p>Approval of the 2022 Q2 consolidated financial statements</p> <p>Approval of the construction of the 7th phase of Gong Plant II</p> <p>Approval of the 17th phase of air-conditioning equipment project of Yunlin Science Park Plant 1</p> <p>Approval of the endorsement guarantee case of the subsidiary Matrix Precision</p> <p>Approval of the endorsement guarantee case for the Singapore subsidiary</p> <p>Approval of the endorsement guarantee case for the Korean subsidiary</p> <p>Approval of the endorsement guarantee case for the Italian subsidiary</p> <p>Approval of the Japanese subsidiary overdue account transfer funds loan case</p>
2022.10.12	<p>Approval of the cash capital increase of the subsidiary Eterbright Solar Corporation</p> <p>Approval of the financing endorsement guarantee case for the construction of the Japanese subsidiary's factory</p> <p>Approval of the Japanese subsidiary overdue account transfer funds loan case</p> <p>Approval of the 2023 Internal Audit Plan</p>
2022.11.07	<p>Approval of the 2022 Q3 consolidated financial statements</p> <p>Approval of the factory equipment and air-conditioning construction project of Gong Plant I</p> <p>Approval of the 7th phase of the factory equipment and air-conditioning construction project of Gong Plant II</p> <p>Approval of the cash capital increase and endorsement guarantee of the subsidiary Matrix</p> <p>Approval of the endorsement guarantee case of the subsidiary Matrix Precision</p> <p>Approval of the endorsement guarantee case for the Italian subsidiary</p> <p>Approval of the endorsement guarantee case for the Korean subsidiary</p> <p>Approval of the Japanese subsidiary overdue account transfer funds loan case</p> <p>Approval of the assessment of the independence and suitability of certified public accountants and the case of remuneration for appointment</p> <p>Approval of the revision of the "Procedures for Preventing Insider Transactions and</p>

Date	Important Resolutions
	Handling Internal Significant Information"
2023.02.24	Approval of the 2022 Employee Remuneration and Director Remuneration Proposal Approval of the 2022 Statement on Internal Control System Approval of the 2022 Business Report Approval of the 2022 Financial Statements Approval of the Proposal for Distribution of 2022 Profits Approval of the time, venue, proposals for discussion, and related matters for the 2023 general meeting of shareholders Approval and acceptance of the matters related to shareholder proposals Approval of the 2023 Business Plan Approval of the endorsement guarantee case of the subsidiary Matrix Precision Approval of the Japanese subsidiary overdue account transfer funds loan case Approval of the amendment to the "Rules of Procedure for the Board Meeting" Approval of the donation of funds to the "HIWIN Education Foundation"
2023.05.10	Approval of the 2023 Q1 consolidated financial statements Approved the cash capital increase of the subsidiary Matrix Approval of the endorsement guarantee case of the subsidiary Matrix Precision Approval of the Japanese subsidiary overdue account transfer funds loan case Approval of the revision of the "Management Measures for Transactions between Corporations and Related Parties" Approved the amendment of the Company's Corporate Governance Practice Principles.

- (xii) **In the most recent year and as of the printing date of the annual report, directors have different opinions on important resolutions passed by the board of directors and have records or written statements: None.**
- (xiii) **Summary of the resignation and dismissal of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor in the most recent year and as of the printing date of the annual report: None.**

iv. Accountant Information

(i) Information on accountant's fees

Unit: Thousand NTD

Accounting Firm Name	Accountant Name	Audit Period	Audit Fees	Non-Audit Fees	Total	Note
Deloitte & Touche	Wu Li-Tung	2022.1.1~2022.12.31	5,790	1,180	6,970	Non-audit fees mainly include the fees for profit-seeking enterprise income tax inspection, preparing transfer pricing reports, cash capital increase inspection, and reimbursed expenses.
	Xiao-Fang YEn					

1. Non-audit fees paid to CPAs, their accounting firm, and its affiliates exceed one-fourth of the audit fees: No such case.
2. Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: no such cases.
3. Audit fees paid in the current year are at least 10% less than those paid in the previous year: no such cases

(ii) CPA Independence

The company evaluates CPA Independence regularly based on the items below and reports the results to the Board of Directors:

1. CPA Independence Evaluation Questionnaire
2. The same accountant hasn't conducted certification work for over 7 straight years
3. The company confirms whether the audit results are affected before the non-audit services are provided.

v. Information on Change of Accountant:

(i) About the former accountant

Change Date	2022.05.10		
Reasons and Descriptions	In accordance with the internal rotation at Deloitte & Touche, starting from the first quarter of 2022, the financial statement auditing services will be provided by CPAs Wu Li-dong and Yan Xiao-Fang instead of Wu Li-dong and Zeng Dong-jun.		
Was the termination of audit services initiated by the Company or the CPA?	Involvement Party	Accountant	Appointer
	Situation	Not applicable	
	The company terminated the appointment.		
The CPA rejected the appointment.			
Opinions and reasons of the audit report other than unqualified opinions issued within the recent 2 years			
Having different opinions from the issuer	Yes		Accounting Principles or Practice
			Disclosure of Financial Reports
			Audit Range and Steps
			Others
	No	V	
	Description		
Other disclosures (according to Sub-items 4 to 7 of Item 1, Paragraph 6, Article 10 of Guidelines Governing the Preparation of Financial Reports by Securities)	N/A		

(ii) About the succeeding accountant

Accounting firm name	Deloitte & Touche
Accountant name	CPAs Wu Li-Tung and Yan Xiao-Fang
Date of appointment	2022.05.10
Inquiries and replies relating to the accounting methods or principles of certain transactions, and opinions issued for the financial reports prior to the appointment	Not applicable
Different opinions in written form made by the succeeding accountant from the former accountant	Not applicable

(iii) Former accountants' response to Item 1 and Sub-item 3 of Item 2, Paragraph 6, Article 10 of these principles: Not Applicable.

vi. If the company's Chairman, General Manager and managers responsible for financial and accounting affairs have held office in the CPA firm or any of its affiliated companies within the last year, their names, job titles and the periods during which they have held such office should be disclosed: No such case.

vii. Transfer and pledge of shares by the directors, managers, and shareholders holding more than 10% of the company's shares within the latest year and as of the publication date of this annual report

(i) Changes of shares held by directors, managers and major shareholders

Unit: Shares

Title	Name	2022		2023 as of March 31st	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Chairman	Eddie W.H. Chuo	17,000	25,000	-	-
Deputy Chairman	Chen Chin-Tsai	120,035	2,273,000	-	(2,423,000)
Director	Eric, Y. T. Chuo	(3,382,000)	-	-	-
Director	Shun-Chin Lee	442,779	3,000,000	-	-
Director (Note 1)	Hsiu-Yu Chuo	158,695	-	-	-
Director	Sanko Investments Ltd	125,730	980,000	-	(300,000)
	Representative: Ching-Yi Huang	9	-	-	-
Independent Director	Cheng-He Chiang	-	-	-	-
Independent Director (Note 2)	Ching-Huey Chen	-	-	-	-
Independent Director (Note 2)	Li-Ming Tu	-	-	-	-
Independent Director (Note 3)	Zhen-Yuan Chen	-	-	-	-
Independent Director (Note 3)	Hui-Xiu Lee	-	-	-	-
General Manager	Enid H.C. Tsai.	140,730	-	-	-
Senior Deputy General Manager of Finance Office	Yue-Qin Wu	8,000	-	-	-
Deputy General Manager of Marketing Business Group	Yan-Qi Peng	11,801	-	-	-
Assistant General Manager of the Chairman's Office	Jun-Liang Wu	(1,325)	-	-	-
Assistant General Manager of the Chairman's Office	Chuang-Bao Yang	(7,321)	-	-	-
Assistant General Manager of System Development Business Department	Fu-Ching Wang	7,464	-	-	-
Assistant General Manager of Finance Office	Ke-Huang Liao	7,256	-	-	-

Title	Name	2022		2023 as of March 31st	
		Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shares Held	Increase (Decrease) in Shares Pledged
Assistant General Manager of the Chairman's Office	Wen-Bin Lee	6,390	-	-	-
Assistant General Manager of the Chairman's Office	Shih-Rong Chiu	6,138	-	-	-
Assistant General Manager of the Chairman's Office	Hong-Ming Chen	6,316	-	-	-
Senior Assistant Manager of the Information Office (Note 4)	Yong-Ming Chang	-	-	-	-
Senior Assistant Manager of Chairman's Office	Lee-Hong Huang	-	-	-	-
Assistant Manager of the Chairman's Office (Note 6)	Fong-Ming Yang	-	-	-	-
Assistant Manager of the Production Business Group (Note 7)	Wen-Chia Wu	-	-	-	-
Assistant Manager of Quality Assurance Department (Note 8)	Yi-Hsiu Chou	-	-	-	-

Note 1: Hsiu-Yu Chuo assumed her posts on 2022/06/27, and the shares held by her were reported since the same day.

Note 2: Chen Ching-Huey and Tu Li-Ming were relieved on 2022/06/27, and their shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 3: Chen Zhen-Yuan and Lee Hui-Xiu assumed their posts on 2022/06/27, and the shares held by them were reported since the same day.

Note 4: Chang Yong-Ming was relieved on 2022/04/15, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 5: Huang Lee-Hong was relieved on 2022/02/01, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 6: Yang Fong-Ming was relieved on 2022/03/01, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 7: Wu Wen-Chia was relieved on 2022/04/15, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

Note 8: Chou, Yi-Hsiu was relieved on 2022/04/15, and his shareholding declaration has ended there. The number of shares at the end of the period is the number of shares at the time of dismissal.

(ii) Stock transferred to related parties: none.

(iii) Stock rights pledged to related parties: none.

viii. Information of the top 10 shareholders who are related, couples, or relatives within the second degree of kinship

2023/03/31
Unit: Share: %

NAME OF MAJOR SHAREHOLDERS	SHARES HELD PERSONALLY		SHARES HELD BY SPOUSE OR MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHERS		NAMES AND RELATIONSHIP OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED, COUPLES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP		NOTE
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title/Name	Relationship	
Hiwin Investment and Holding Corp. Representative: Eddie W.H. Chuo	28,829,898	8.14%	-	-	-	-	Eddie W.H. Chuo	Chairman	N/A
	6,845,702	1.93%	420,676	0.11%	-	-	Eric, Y. T. Chuo	Director	
							Chuo Hsiu-Min	Supervisor	
Nanshan Life Insurance Co., Ltd. Representative: Yin Chong-Yao	12,414,125	3.50%	Not applicable						
			Data not available						
Eric, Y. T. Chuo	10,990,759	3.10%	1,300,320	0.36%	-	-	Chuo Hsiu-Min Eddie W.H. Chuo	First-degree relatives	
Shun-Chin Lee	8,952,011	2.53%	107,957	0.03%	-	-	First Bank Trust-Fund Account Appointed by Shun-Chin Lee	-	
Cathay Life Insurance Co., Ltd. Representative: Huang Tiao-Gui	7,056,161	1.99%	Not applicable						
			Data not available						
New Labor Pension Fund	6,998,942	1.97%	Not applicable						
Eddie W.H. Chuo	6,845,702	1.93%	420,676	0.11%	-	-	Eric, Y. T. Chuo	First-degree relatives	
							Chuo Hsiu-Min	Second-degree relatives	
Norges Bank Investment Account entrusted for custody to Citibank Taiwan	6,001,815	1.69%	Not applicable						
First Bank Trust-Fund Account Appointed by Shun-Chin Lee	6,000,000	1.69%	Not applicable				Shun-Chin Lee	-	
Chuo Hsiu-Min	5,403,440	1.52%	225,757	0.06%	-	-	Eric, Y. T. Chuo	First-degree relatives	
							Eddie W.H. Chuo	Second-degree relatives	

ix. The shares held and joint shareholding percentage of the company, its directors, its managers, and affiliates controlled directly or indirectly by the company in the same reinvestment business

2023/3/31
Unit: Share; %

Reinvestment Business	Investment of the Company		Investment of Business Directly or Indirectly Controlled by the Directors and Managers		Comprehensive Investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
HIWIN Corporation, U.S.A.	2,148,000	100%	-	-	2,148,000	100%
HIWIN GmbH, Germany	Note	100%	-	-	Note	100%
HIWIN Corporation, Japan	62,200	100%	-	-	62,200	100%
Eterbright Solar Corporation	505,360,592	89%	14,871,428	3%	520,232,020	92%
HIWIN Singapore Pte.Ltd.	5,000,000	100%	-	-	5,000,000	100%
HIWIN Corporation, Korea	1,760,000	100%	-	-	1,760,000	100%
HIWIN S.R.L. Italy	Note	100%	-	-	Note	100%
HIWIN Corporation, China	Note	100%	-	-	Note	100%
HIWIN Healthcare Corp.	100,000	100%	-	-	100,000	100%
Matrix Precision Co., Ltd.	34,294,075	50%	8,727,309	13%	43,021,384	63%
Matrix Precision Suzhou Co., Ltd.	-	-	Note	50%	Note	50%
Matrix Machine Tool (Coventry) Ltd.	6,449,500	100%	-	-	6,449,500	100%
HIWIN (Schweiz) GmbH	243,000	81%	57,000	19%	300,000	100%

Note: No shares issued.

IV. Capital Overview

i. Capital and shares

(i) Source of capital

Unit: Thousand NTD; Thousand shares

Date	Issue price	Authorized capital stock		Paid-up capital stock		Note		
		Shares	Sum	Shares	Sum	Source of capital	Subscriptions paid with property other than cash	Others
1999.10.08	12	130,500	1,305,000	123,500	1,235,000	Cash capital increase	N/A	1999.08.05 (88) TCZL(1) No.72181
2001.10.22	10	151,900	1,519,000	135,850	1,358,500	Capital increase out of earnings or capital reserves	N/A	2001.08.14 (90)TCZL(1)No.151591
2002.10.15	10	151,900	1,519,000	139,925	1,399,255	Capitalization of earnings	N/A	2002.08.14 (91)TCZL(1)No.145107
2003.10.09	10	151,900	1,519,000	145,544	1,455,442	Capital increase out of earnings or employee bonuses	N/A	2003.08.15 (92)TCZL(1)No.137138
2004.10.05	10	191,038	1,910,380	156,918	1,569,178	Capitalization of earnings or employee bonus	N/A	2004.08.06 FSC Certificate No.0930135195
2005.10.05	10	191,038	1,910,380	177,706	1,777,059	Capitalization of earnings or employee bonus	N/A	Jin-Guan-Zheng-1-Zi No. 0940132392, August 09, 2005
2006.08.02	10	300,000	3,000,000	201,345	2,013,448	Capitalization of earnings or employee bonus	N/A	Jin-Guan-Zheng-1-Zi No. 0950133960, August 02, 2006
2009.06.25	24	300,000	3,000,000	223,390	2,233,898	Cash capital increase	N/A	Jin-Guan-Zheng-1-Zi No. 0970071383, January 08, 2009
2010.08.16	10	300,000	3,000,000	227,858	2,278,576	Capitalization of earnings	N/A	2010.06.25 FSC Certificate No.0990032889
2011.08.29	10	300,000	3,000,000	234,693	2,346,933	Capitalization of earnings	N/A	Jin-Guan-Zheng-Fa-Zi No. 1000031785, July 11, 2011
2012.09.17	10	300,000	3,000,000	246,428	2,464,280	Capitalization of earnings	N/A	Jin-Guan-Zheng-Fa-Zi No. 1010031169, July 13, 2012
2013.09.18	10	300,000	3,000,000	253,821	2,538,208	Capitalization of earnings	N/A	Jin-Guan-Zheng-Fa-Zi No. 1020027958, July 18, 2013
2014.09.15	10	300,000	3,000,000	261,435	2,614,354	Capitalization of earnings	N/A	Jin-Guan-Zheng-Fa-Zi No. 1030026626, July 14, 2014
2015.09.02	10	300,000	3,000,000	269,278	2,692,785	Capitalization of earnings	N/A	Jin-Guan-Zheng-Fa-Zi No. 1040027343, July 21, 2015
2016.09.21	10	300,000	3,000,000	274,664	2,746,640	Capitalization of earnings	N/A	2016.09.21 Department of Economy- Authorization No.10501226510

2017.09.01	10	300,000	3,000,000	280,157	2,801,573	Capitalization of earnings	N/A	Jing-Shou-Shang-Zi No. 10601126420, September 01, 2017
2018.08.22	10	300,000	3,000,000	288,562	2,885,620	Capitalization of earnings	N/A	Jing-Shou-Shang-Zi No. 10701102130, August 22, 2018
2018.10.05	250	500,000	5,000,000	300,562	3,005,620	Cash capital increase	N/A	Jing-Shou-Shang-Zi No. 10701122430, October 05, 2018
2019.08.27	10	1,000,000	10,000,000	309,579	3,095,789	Capitalization of earnings	N/A	Jing-Shou-Shang-Zi No. 10801118450, August 27, 2019
2020.09.16	10	1,000,000	10,000,000	318,866	3,188,663	Capital increase out of earnings	N/A	Jing-Shou-Shang-Zi No. 10901168200, September 16, 2020
2021.01.28	195	1,000,000	10,000,000	330,866	3,308,663	Cash capital increase	N/A	Jing-Shou-Shang-Zi No. 11001002260, January 28, 2021
2021.10.04	10	1,000,000	10,000,000	340,792	3,407,923	Capitalization of earnings	N/A	Jing-Shou-Shang-Zi No. 11001184000, October 04, 2021
2022.09.22	10	1,000,000	10,000,000	353,792	3,537,922	Cash capital increase	N/A	Jing-Shou-Shang-Zi No. 11101177240, September 22, 2022

Type of Shares	Approved capital stock			Note
	Outstanding Shares	Unissued Shares	Total	
Registered common stock	353,792,240	646,207,760	1,000,000,000	-

Information for the Shelf Registration System: none.

(ii) Shareholding structure

2023/03/31

Shareholder Structure Quantity	Government agencies	Financial institutions	Other legal persons	Individual	Foreign institutions and foreigners	Total
Number of people	5	14	463	52,543	502	53,527
Number of shares held	15,057,934	23,915,249	62,074,960	142,974,384	109,769,713	353,792,240
Shareholding ratio	4.26%	6.76%	17.55%	40.41%	31.02%	100.00%

(iii) Equity distribution

2023/03/31

Class of shareholding	Number of shareholders	Shares held	Shareholding %
1~999	30,229	3,044,127	0.86%
1000~5000	19,629	35,073,408	9.91%
5001~10000	1,907	13,319,918	3.76%
10001~15000	640	7,655,710	2.16%
15001~20000	262	4,572,057	1.29%
20001~30000	237	5,833,163	1.65%
30001~40000	123	4,326,802	1.22%
40001~50000	82	3,667,749	1.04%
50001~100000	151	10,719,824	3.03%
100001~200000	91	12,632,067	3.57%
200001~400000	66	18,859,539	5.33%
400001~600000	35	17,152,245	4.85%

600001~800000	13	8,814,371	2.49%
800001~1000000	11	9,956,126	2.81%
Over 1,000,001	51	198,165,134	56.03%
Total	53,527	353,792,240	100.00%

Note: The above mentioned are common stock. The Company has not issued preferred stock.

(iv) List of major shareholders

2023/03/31

Main Shareholder Name	Shares	Shares held	Shareholding %
Hiwin Investment and Holding Corp.		28,829,898	8.14%
Nan Shan Life Insurance Co., Ltd.		12,414,125	3.50%
Eric, Y. T. Chuo		10,990,759	3.10%
Shun-Chin Lee		8,952,011	2.53%
Cathay Life Insurance Co., Ltd.		7,056,161	1.99%
New Labor Pension Fund		6,998,942	1.97%
Eddie W.H. Chuo		6,845,702	1.93%
Norges Bank Investment Account entrusted for custody to Citibank Taiwan		6,001,815	1.69%
First Bank Trust-Fund Account Appointed by Shun-Chin Lee		6,000,000	1.69%
Chuo Hsiu-Min		5,403,440	1.52%

(v) Market price, net value, earnings, dividends and other relevant information for the last two years

Item	Year		2021	2022	January 01 to March 31st, 2023
	Market price per share	Highest		468.00	317.00
Lowest			275.00	156.00	179.00
Average			365.11	227.57	238.76
Net value per share	Pre-distribution		88.85	98.23	As of the publication date of this annual report, no 2023 Q1 financial statements reviewed by an accountant have been received
	Post-distribution		81.25	92.73	
Earnings per share	Weighted average number of shares (1000 Shares)		340,792	345,209	
	Diluted earnings per share		10.33	12.89	
Dividend per share	Cash dividends		4.50	5.50 (Note 1)	
	Stock dividends	Surplus distribution	-	-	
		Allotment of capital reserve	-	-	
	Accumulated unpaid dividends		-	-	
Analysis of return on investment	Price/earnings ratio (Note 1)		35.24	17.53	
	Price/dividend ratio (Note 2)		81.14	41.38	
	Cash dividends yield (Note 6)		1.23%	2.42%	

Note 1: The earnings distribution for 2022 was approved by the Board Meeting on February 24th, 2023, and has not yet been approved by the Shareholders' Meeting.

Note 2: Price/earnings ratio = Average closing price per share for the year/Earnings per share

Note 3: Price/dividend ratio = Average closing price per share for the year/Cash dividends per share

Note 4: Cash dividends yield = Cash dividends per share/Average closing price per share for the year

(vi) Dividend Policy and Implementation

1. Dividend policy

When distributing the surplus in each fiscal year, the Company shall first make up for the loss and set aside 10% as the statutory surplus reserve unless the statutory surplus reserve has reached the Company's total capital. According to other laws and regulations, the company also sets aside (or reversals) special surplus reserves, with the second dividend increase being less than 6% (inclusive). The distribution of surplus can be made in the form of cash dividends

or stock dividends. However, the proportion of stock dividends should, at most, be two-thirds of the total shareholder dividends and shareholder dividends for the year.

The company may consider the financial, business, and operational factors to distribute all or part of the remaining surplus after deducting the amount specified above, the undistributed surplus of the previous period, and the distributable surplus of the current year.

The Company's Articles of Incorporation have not yet clearly specified the distribution ratio of shareholders' dividends because the profit for the current year is subject to adjustment based on future capital expenditure and capital situation and should be handled per the resolution of the shareholders' meeting. As the company continues to expand its plants, the scale of investment, and the development of new products, retaining a certain level of funds is necessary. The dividend distribution ratio is expected to be approximately 35%-45% in the short term, but the actual ratio depends on the economic conditions and investment plans. In recent years, the practice of dividend distribution is to first issue 30 shares of stock dividends per thousand shares, then distribute the remaining dividends in cash.

2. The dividend distribution proposed at the shareholders' meeting

The 2022 earnings distribution plan, as resolved by the Board of Directors on February 24, 2023, proposed to allocate a total of NT\$ 1,945,857,320 in dividends to shareholders (NT\$ 5.5 per share), all distributed in cash. The cash dividends will be submitted to the shareholders' meeting according to the law after the board of directors approves, then the chairman will be authorized the chairman to set the dividend record date for distribution.

3. Expected major changes in the dividend policy: None.

(vii) The influences of the stock dividends proposed at the shareholders' meeting on the Company's business performance and earnings per share:

Not applicable because the Company did not distribute stock dividends or employee stock dividends in 2022. There was also no effect on the Company's business performance and earnings per share.

(viii) Employee remuneration and director remuneration

1. Percentage or scope of employee bonuses and remunerations of directors and provided for in the Articles of Incorporation:

The Company's remuneration includes principal salary, bonuses, and employee dividends. The amount of various bonuses and employee dividends depends on the Company's overall operation and employee performance.

According to the Articles of Incorporation, if the Company has earnings at the end of a fiscal year, it should allocate (1) a minimum of 1% for employee remunerations and (2) a maximum of 4% for directors' remunerations. The board of directors determines whether the distribution of employee remuneration is paid in stock or cash. The remuneration for directors is paid in cash. The distribution proposal of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, if the Company still has accumulated losses, the amount for offset shall be reserved, then the employees' and directors' remuneration may be distributed according to the above proportions.

2. The basis for estimating the amount of employee remuneration and director remuneration, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting process of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

After the end of the fiscal year, if there are significant differences in the distribution amount proposed by the Board of Directors, such changes will be adjusted against the initially accrued annual expenses. If the actual amounts still differ from the proposed amounts after the publication of the annual financial statement, the differences are charged to the earnings of the following year as a result of a change in accounting estimate.

3. Information on proposals passed by the Board of Directors to distribute employee bonuses
 - (1) Remunerations to employees and directors in cash
NT\$ 381,681,219 for employees and NT\$ 190,840,610 for directors. The estimated ratios were 6.2% and 3.1%, respectively, in compliance with the Articles of Incorporation of the Company.
 - (2) The proportion of the number of shares for employees as remunerations to net profits after tax and the total of employee bonuses of the individual or individual financial reports in the current period: Not applicable.
4. The actual distribution of employee remuneration and director remuneration in the previous year
 - (1) The employee remunerations distributed in cash were NT\$ 297,411,042 in 2022.
 - (2) The director remunerations distributed in cash were NT\$ 148,705,521 in 2022.
 - (3) No difference exists between the actual distribution and the distribution passed at the Board Meeting.

(ix) **Stock buyback:** No such case.

ii. Issuance of Corporate Bonds: No such case.

iii. Issuance of Preferred Stocks: None.

iv. Issuance of Global Depositary Receipts (GDR): None.

v. Exercise of Employee Stock Option Plan (ESOP): None.

vi. Acquisition of New Restricted Stock: None.

vii. Mergers and Acquisitions of New Shares Issued by Other Companies: None.

viii. Execution of Capital Utilization Plan:

As of the publication date of this annual report, the company hasn't issued or completed the private placement of marketable securities, nor has it completed such actions in the last three years with no effects shown yet.

V. Business Overview

i. Business operations

(i) Business Scope

1. The Company's main businesses:

The company is mainly engaged in the R&D, design, manufacturing, sale, maintenance, and pre-sales and after-sales services of linear guideway (GW), ball screws (BS), industrial robots, various robot arms, Torque Motor rotary tables, reducers, precision bearings, and medical equipment.

2. Business proportion:

The turnover of 2022: GW for 64%, BS for 22%, industrial robots for 7%, others 7%.

3. Current products (services):

Our company provides key components, industrial robots, special machines, and after-sales services for machine tools, industrial machinery, bioscience, medical equipment, equipment of the electronics industry, opto-electronics, semiconductor devices, automation, etc. The current main products of the company are listed below:

Product Category		Series
1	GW	Self-lubricating, quiet, roller, overload, micro-miniature, intelligent, dustproof, high rigidity, light weight, high torque resistance, cross configuration, extremely-low, four-row stainless steel
2	BS	Precision grinding, precision rolling, self-lubricating, high speed, heavy load, air cleaning, nut rotary, tangent circulating, quiet, cooling, intelligent, economical, precision rotary cut
3	Industrial Robot	Single axis robot, articulated robot arm series, parallel robot arm series, scale robotic arm series, wafer robotic arm series, electric gripper, end effector, panel robotic arm series, wafer transfer module series, wafer box robotic arm series
4	Rotary Tables	Biaxial two-arm rotary table, biaxial one-arm rotary table, single-axis vertical rotary table, single-axis horizontal rotary table, composite high-speed turntable
5	Reducer	Harmonic reducer
6	Precision Bearing	Crossed roller bearing, ball screw bearing, bearing block
7	Medical equipment	Rehabilitation equipment, nursing equipment, equipment of minimally invasive surgeries

4. New products (services) to be developed:

- (1) Expansion of the smart linear guideway specifications.
- (2) Expansion of the smart ball screw specifications.
- (3) Development of new series of wafer robotic arms/wafer aligners.
- (4) Expansion of the specifications of turntables for EDM equipment.
- (5) Expansion of the specifications of the compound high-speed turntable.

(ii) Industry Overview

1. Development and current situation of the industry

The year 2022 witnessed the speed of technological transformation driven by the COVID-19 pandemic as many industries faced the need for rapid adaptation. ESG environmental issues and industries such as semiconductors, electric vehicles, smart manufacturing, automation, machinery equipment, and healthcare played essential roles in this transformation.

The semiconductor industry in Taiwan continued to benefit from innovative applications such as AI, IoT, automotive, and high-performance computing (HPC), driving its growth. Entering the post-pandemic era, the global environment faced new challenges, such as the Russo-Ukrainian war, inflation, and the US-China chip war. Nevertheless, Taiwan's semiconductor industry maintained global leadership due to its advanced processes and the world's largest and most stable wafer foundry capacity. In 2022, Taiwan's semiconductor industry achieved an output value close to NT\$4.7 trillion, with a year-on-year growth of nearly 16%. According to forecasts of the Industrial Technology Research Institute (ITRI), the industry will approach NT\$5 trillion in 2023, with a year-on-year growth of 6.1%.

Manufacturing industries worldwide are accelerating their automation, with the growth of industrial robots being the most remarkable. According to the latest World Robotics Report 2022 published by the International Federation of Robotics (IFR), the global installation of industrial robots reached a record high of 517,000 units in 2021, an increase of 31% compared to the previous year. Both Asia and Europe achieved new peaks in robot installations. By the end of 2025, the annual installation of industrial robots worldwide is expected to reach 690,000 units. The problem of labor shortage and rising labor costs are becoming increasingly severe, driving the manufacturing industry's growing demand for intelligent automation and industrial robot applications. Gartner predicts that by 2024, integrating industrial automation technologies and redesigned operational processes can help reduce 30% of operating costs.

The global development of machine tools is trending towards multi-axis and high-efficiency systems, focusing on advanced five-axis and composite processing machines. Currently, the market share of high-precision and high-efficiency four-axis and five-axis torque motor rotary tables is less than 10%, with Europe being the dominant supplier. It's expected that fully electric torque motor rotary tables will gradually become mainstream in the mechanical industry, with a projected growth rate of up to 40% in the coming years. China is vigorously promoting its "Made in China 2025" policy, which requires enterprises to undergo transformation and upgrading. The re-manufacturing initiatives in the United States also demand high-end machine tools. These facts demonstrate that medium and high-end machine tool products will be the mainstream demand for the transformation and upgrading of the global manufacturing industry. Furthermore, the automotive industry, which accounts for nearly 50% of global machine tool consumption, is moving towards higher precision, efficiency, and composite capabilities due to the growth of electric vehicles. The necessary equipment for 5G network infrastructures in industrial digital transformation will also bring opportunities to industrial machinery.

Another significant industry trend is the application of collaborative robots in surgery. By combining advanced imaging technology and precise positioning, these robots can overcome the limitations of human vision and reduce the risk of fatigue-related errors, decreasing the chances of surgical failure. Besides da Vinci Surgical Systems, four other surgical robots have received FDA or CE approval and entered the market. The emergence of new competitors will accelerate the pace of surgical automation and lower the adoption threshold for hospitals. As more users adopt these robots, their benefits in surgery will become more apparent, enabling physicians to choose the best medical treatment. Forbes points out the rapid growth of the aging population and chronic diseases globally has significantly increased healthcare costs and societal burdens. These urgent issues are the primary driving force behind the development of intelligent digital healthcare technologies.

In recent years, the sustainability trend has rapidly evolved from ESG risk management to enhancing corporate resilience and transformation adaptability due to the threat of extreme climate events. As achieving "Net-zero carbon emissions" becomes a global focal point, carbon management has become an unavoidable issue worldwide and an imminent survival challenge for businesses. As domestic and international regulations gradually intensify carbon control, and under the strong urging of global customers and investors, we will see that companies with lower carbon emissions possess higher market premium capabilities in the coming years. The low-carbon transformation will redefine market rules and drive the entire industry chain toward a new industrial revolution. ESG practices will become necessary to mitigate risks, follow market trends, and seize growth opportunities. HIWIN implements ESG sustainability strategies and seizes green business opportunities for sustainable operations by launching innovative products that are eco-friendly and energy-saving, strengthening its brand's resilience and sustainability.

2. The relevance of the upper stream, midstream and lower stream of the industry:

Raw Materials (Upper Stream)	Main Products	Main Application (Lower Stream)
Steel, steel ball	BS GW	Semiconductor, opto-electronics manufacturing and test equipment, automation equipment, medical equipment of bioscience, electronic industry, machine tool, industrial machinery

3. Development trend of products:

In recent years, the development of IoT and AI technologies has driven the increasing installation of intelligent machinery. However, most existing products in the market only make records or sound alarms based on detection results and don't have predictive capabilities. In demand for uninterrupted production and stable product accuracy, HIWIN's intelligent ball screw, a critical equipment component, has become a leading indicator in the industry. With built-in self-developed sensors, HIWIN's smart ball screw can be used with real-time data collected online to enable the remote monitoring of the temperature, vibration level, and lubrication status of screws in the equipment. Through algorithms, it can also be used to predict product lifespan and facilitate preventive maintenance to improve production efficiency. By providing instant feedback on equipment maintenance schedules, it allows customers to arrange maintenance in advance, maintain production uptime, and avoid losses caused by downtime, ultimately achieving the goals of Industry 4.0. Intelligent lubrication also saves factories 40-70% of oil consumption. In other words, with a smart ball screw installed, approximately 80 kilograms of CO2 emissions per year for each device.

In the highly automated semiconductor industry, the engineer-to-machine ratio has gradually increased from one person per machine to one person to over six machines. Improving overall equipment effectiveness (OEE) has become a challenge that semiconductor equipment businesses must face. In maximizing OEE, the approach often involves increasing equipment operation speed. However, this inadvertently increases the risk of component deterioration, ultimately leading to unexpected downtime, product damage, and a negative impact on production capacity. Due to the imperfect surface profile among various components in linear guideways, vibrations and heat caused by friction are inevitable during motion. HIWIN provides a solution for smart linear guideways that uses dedicated sensors to monitor the vibration and temperature of the guideways. HIWIN has developed four functions for the guideways - status monitoring, anomaly alert, intelligent maintenance, and predictive repair - to assist customers in reducing damaged products caused by unexpected downtime and extend the average lifespan of the equipment.

In recent years, HIWIN has been developing semiconductor equipment in multiple directions. In addition to key equipment such as wafer robots and aligners, HIWIN has also developed an "Equipment Front-End Module (EFEM)" that integrates these products. The principles for wafer equipment design are modularization and enhanced reusability. With parallel deployment and vertical integration of product specifications and customer demands, HIWIN created greater cost advantages, more powerful control modes, and reduced material backlog and resource consumption to meet corporate social responsibility and achieve sustainable operations. Since the EFEM adopts the industry-standard communication format "SECS/GEM," it can be quickly integrated into various procedures on semiconductor production lines, including wafer foundries, packaging, and other processes to meet the diverse needs of customers. The key components in semiconductor equipment, such as the wafer robot, EFEM wafer transfer system, and other semiconductor equipment, are also the main products of HIWIN. These products use self-produced components and system integration controls to provide customized services for customers with different processes and applications.

The cost of key components in robotic arms, including harmonic reducers, servo motors, and control units, accounts for over 50% of the total cost of such arms. Traditionally, the technology for these critical parts belongs to European, American, and Japanese manufacturers. Leading robotic arm manufacturers typically own the technology for at least one key component and horizontally integrate other technologies possessed by other manufacturers to form a complete supply chain of key components, thereby increasing product profitability. In light of this, HIWIN Technology adopts the independently developed servo motor by Hiwin Mikrosystem and integrates it with self-produced harmonic reducers and control units. This

significantly reduces the cost of purchasing from external sources and improves the timeline for technology development, customer service, and component maintenance. With expertise in system integration, HIWIN enhances its own profitability and industry leadership.

In response to increasingly complex processing forms, the machine tool industry is developing 5-axis composite machining centers to improve processing efficiency and accuracy. Therefore, advanced 5-axis machine tools have become crucial for transforming and upgrading the global manufacturing industry and a vital indicator of the level of technology in a country's machine tool industry. China's manufacturing upgrade, the remanufacturing initiative of USA, the new mobile phone market, 5G technology, and precision molds all require advanced machine tools. HIWIN has independently developed the torque motor rotary table with a high response speed and torque. It is equipped with an absolute encoder, providing precise position feedback to meet the requirements of various advanced machine tools for rotary axis modules. The rotation speed of the C-axis has been a bottleneck for traditional mechanical rotary tables. Regarding the market demand for advanced 5-axis composite machine tools, the high-speed rotary table is the trend for future product development.

As the demand in markets such as semiconductors, electric vehicles, and medical devices increases, the application of reducers has also grown. In recent years, harmonic reducers have been used in more applications in various professional fields, including service-oriented and assistive robots, collaborative robotic arms, and assistive devices. In light of this, HIWIN adopts the independently developed servo motor by Hiwin Mikrosystem and integrates it with self-produced harmonic reducers and control units. In addition to advantages such as small size, lightweight, high repeatability, high torque, and good rigidity, the modular and shared design shortens users' design and development time, enables flexible implementation in various fields, eliminates the need for additional component procurement, saves assembly time, and significantly reduces development costs while expanding its applications.

4. Competition of products:

HIWIN's products have the advantages of integrated group resources, innovative technologies, and self-produced key components. HIWIN has long been devoted to electromechanical integration, robot manufacturing, and the self-production of smart machinery components. As a result, HIWIN has established clear differentiation and competitive advantages against linear motion products from competing manufacturers in Germany, Japan, and mainland China. Our products differentiate from competitors and offer greater diversity, consolidating HIWIN's position as a benchmark in the global transmission components and systems market. This high-end product development strategy allows HIWIN to flexibly adapt and stay ahead in the ever-changing international economic landscape, reducing the impact of market fluctuations.

Regarding the competition in key components, in addition to continuing research in material science and actively seeking alternative or superior raw materials, HIWIN is also developing fast production and assembly techniques to capture potential customers. HIWIN develops smart components and intelligent robots and provides electrical control software and system services to offer customers comprehensive solutions and gain significant competitive advantages in the market.

HIWIN leads the industry by introducing intelligent ball screws with four diagnostic functions for temperature, preload, vibration, and lubrication. The level of intelligence surpasses that of European and Japanese competitors. HIWIN i4.0BS is the starting point for the intellectualization of mechanical equipment. In compliance with epidemic control policies, customers can monitor the operation of their machinery remotely without entering the factory. The i4.0BS provides real-time feedback to assist in maintenance and management operations in smart factories. Micro-miniature ball screws, mainly provided by Japanese manufacturers, are applied in micro-precision positioning tables, 3C products, and medical testing equipment.

The competitive landscape of linear products has undergone structural changes in recent years. While major brands dominate the market in various industries, new competitors have emerged in the low-end market, seizing customer orders with significantly lower prices. Most of these competitors come from mainland China and Korea, selling their low-cost products into the European and Asian markets after rebranding and repackaging.

Facing these new competitors, HIWIN enhances its competitiveness through modular portfolios, saving customers the time of procuring other accessories and providing differentiated services.

The main competition in the torque motor rotary table market comes from well-established European suppliers. Due to overall cost and maintenance difficulty, Asian machine tool manufacturers still rely on mechanical rotary tables. However, these rotary tables have limited processing accuracy due to backlash, which hampers the development of high-end Asian machine tools. HIWIN's torque motor rotary table integrates self-produced water-cooled torque motors and cross-roller bearings, offering high precision and zero backlashes while significantly reducing manufacturing costs. This product resolves the previous reliance on imported European products and may ignite competition for high-end products in the Asian machine tool industry. Furthermore, leveraging the competitiveness of HIWIN's products and services, the company plans to penetrate Europe's high-end machine tool market.

In the industrial robot arm industry, the market is still dominated by the four major powerhouses: ABB from Switzerland, FANUC from Japan, KUKA from Germany, and YASKAWA from Japan. The mastery of key components and the horizontal integration of related technologies are crucial in developing the industrial robot arm businesses, especially considering the protective tariffs in various regions. The focus remains on self-producing key components in the Chinese market, where many low-cost robot arms have lower precision and stability. HIWIN continues to invest in developing and establishing system service teams to provide comprehensive line planning and services. By continuously optimizing the design and performance of robot arms, HIWIN selects profitable industries and integrates and customizes automated production lines or robot arms to develop comprehensive solutions for automation and intelligence.

HIWIN's complete portfolio aligns with the Industry 4.0 trend and can provide customers with one-stop transformation and upgrade services. In several projects involving the intellectualization of production lines for leading manufacturers in the industry, HIWIN is the sole supplier and possesses strong competitiveness in electromechanical integration system services. HIWIN flexibly applies its high-precision electromechanical components to satisfy the different needs of customers and supply a suitable portfolio to add value for customers. In the future, HIWIN will further distinguish the common requirements of each process and transform the usual portfolio used in each process into standardized modules, thereby saving assembly time and improving precision consistency for customers. At the same time, HIWIN will promote the sales model of electromechanical integration in its global sales locations in response to the rapidly changing markets.

(iii) Technology and R&D Overview

HIWIN filed a total of 109 applications of domestic and international patents and obtained 124 patents in 2022. As of the end of 2022, the company owned 2,246 valid patents.

1. R&D expenses in the last year and as of the as of the publication date of this annual report

Unit: kNTD

Subject	2022	2021
R&D Expenses	1,129,207	1,058,892

2. Technologies and products developed successfully in the last five years

Year	Product
2018	<ol style="list-style-type: none"> 1. The full specification of the new recirculating ball screw (Super Z) type1 was successfully mass-produced. 2. The intelligent ball screw prototypes was developed. 3. The covered roller linear guideway has been developed and mass produced. 4. The articulated robot arm RA605-710-GB has obtained CE certification. 5. The DATORKER harmonic reducer has been developed and mass produced.
2019	<ol style="list-style-type: none"> 1. Test production of the intelligent ball screw i4.0BS. 2. Prototype development of non-circulating ball screw. 3. Developed and mass-produced for multiple versions of the micro-miniature linear guideways 4. Development of the SCARA robotic arm RS405/RS410-LU series 5. Developed the prototype of small robotic arms.

Year	Product
2020	<ol style="list-style-type: none"> 1. The precision screws for vehicles have passed the IATF 16949 automotive quality management system certification. 2. The endoscope supports the robotic arm fastener family to complete the development, medical certification, and mass production. 3. Completed the prototype development of composite high-speed turntable. 4. Development and mass production of dust-proof version of Scala robotic arm. 5. Mass production of the intelligent ball screw i4.0BS.
2021	<ol style="list-style-type: none"> 1. Prototype development of intelligent linear guideway i4.0GW. 2. Mass production of MRG-P110, a new generation of lower body strength training machine. 3. The E-series of wafer robots has been developed and currently under test-production. 4. Completed the prototype development of composite high-speed turntable.
2022	<ol style="list-style-type: none"> 1. Completed the prototype development of the turntable for EDM equipment, RCH-100E. 2. Mass production of the next-generation servo rotary actuator. 3. Mass production of the four-row stainless steel linear guideway. 4. The A-series of wafer robotic arms has been developed and certified, and currently under test-production.

(iv) Long and short term business development strategies

- 1 Short-term business development strategy
 - (1) Serving metal processing end customers, establishing a 3+1-axis machine modification upgrade model, and driving industrial upgrading.
 - (2) Mainly promote high-end new products, including torque rotary tables, robotic arms, reducers, and electromechanical integrated products, to open up new niche markets.
 - (3) Deeply cultivate the semiconductor and electric vehicle industry, make HIWIN components, robots, sub-system components, system components, and the Group's Total Solutions become the core supply chain of trending industries.
 - (4) Integrate the Group's electromechanical products and system service partners to cooperate and provide customers with innovative comprehensive solutions.
 - (5) Promote the robot module system for applications in industries such as semiconductor, PCB, healthcare, food, machine tools, and welding.
 - (6) Provide customers with intelligent products with predictive functions.
 - (7) Provide customers with energy-saving and carbon-reducing products to help accelerate their ESG initiatives.
2. Long-term business development strategy
 - (1) Expand the applications of the Torque Motor rotary table and become the key provider for the new generation of manufacturing upgrades and technological applications.
 - (2) Extend sales and services to end customers and assist customers in transforming and upgrading.
 - (3) Develop green business opportunities and collaborate with customers to achieve ESG goals.
 - (4) Increase cooperation with system integrators to provide customers with smart automation solutions.
 - (5) Continue to promote the Group's electromechanical products and provide value-adding services to customers.
 - (6) Promote smart products with predictive functions in multiple industrial applications to create value for customers.
 - (7) Accelerate efforts in Eastern Europe, Canada, Mexico, Southeast Asia, India, and other regions to expand the local service network and support the potential needs of industries in those regions.

ii. Market, Production, and Sales Status

(i) Market analysis

1. Sales regions of main products:

The main sales of HIWIN products are conducted in the following regions: Taiwan, Germany, China, Japan, and the USA, as listed below:

Unit: kNTD

Operation Sites of Business Units	2022	2021
Taiwan	13,678,110	13,696,690
China	5,988,915	4,867,335
Germany	4,076,353	3,807,965
USA	1,438,834	1,185,939
Japan	1,307,180	1,205,334
Others	2,825,256	2,501,899
Total	29,314,648	27,265,162

2. Future market supply, demand, and growth:

The International Monetary Fund (IMF) has raised its global economic growth outlook for 2023, primarily due to extraordinary resilience in demand from the United States and Europe, declining energy costs, and the reopening of markets in mainland China after easing strict pandemic restrictions. Pierre-Olivier Gourinchas, the Chief Economist, pointed out that as recession risks recede, central banks in multiple nations make progress in controlling inflation. Still, more work is required to maintain the prices. The escalation of the Russia-Ukraine war and potential disruptions from China's battle against the pandemic could introduce new uncertainties. Looking ahead to 2023, Gourinchas believes the global economy must prepare for unexpected events. Still, it could also be a turning point where there's a chance for inflation to decline and the economy to rebound.

Regarding the global supply chain, pressures have gradually eased since the second half of 2022. However, the high inflation and rising interest rates in the United States and Europe have suppressed consumer spending, leading to weak demand, increased product inventory, and limited shipment growth. Moreover, geopolitical tensions have reduced cooperation between countries, leading to a shift towards localized production or the establishment of "friend-shoring" relationships, resulting in structural changes in the global supply chain. According to an IMF research report, reduced international cooperation and commercial interactions could lead to a global economic depression, particularly impacting low-income countries. The IMF refers to this process as "geoeconomic fragmentation" and warns that it could ultimately reduce up to 7% in global gross domestic product (GDP).

Regarding industry-specific demands, the semiconductor industry will undergo inventory adjustment. TrendForce expects a year-on-year decrease of roughly 4% in wafer foundry production value. IC manufacturers are gradually preparing to reduce the proportion of products manufactured in China. The impact of transferring orders is expected to show in the second half of 2023, making supply chain allocation effects worth noting. The output value of the machine tool industry may decrease by 3% to 6% due to overall investment reduction. Driving by the global net-zero carbon emission trend, a rapid increase in demand for electric vehicle power batteries has prompted related businesses to accelerate their capacity expansion. The demand for precision medical testing equipment will also continue to grow. In the post-pandemic era, as the capacities of the manufacturing supply chain gradually recover, labor shortages will become a significant issue. Therefore, integrating AI and robotics for intelligent automated production will be a critical alternative solution.

In response to market supply and demand changes, HIWIN will fully leverage its resources to supply necessary key components and automated production line solutions, mainly for developing new supply chains that emerged due to geopolitical issues. HIWIN will accelerate the establishment of production bases and provide rapid and stable short-chain supply through its global locations. HIWIN's global locations are also actively implementing ESG carbon assessment and decarbonization actions to comply with future regulatory requirements in the European Union market. HIWIN will promote its high-end new product, torque rotary tables, from leading machine tool manufacturers in Japan and Germany to the global market and provide customers with upgraded products. HIWIN will also comprehensively promote its

electromechanical integration products, offering optimized comprehensive solutions for the production processes of the semiconductor and electronics industries, enhancing customers' overall production efficiency and accuracy and maximizing the values added. HIWIN will satisfy the supply demands through marketing strategies encompassing the complete product portfolio, electromechanical integration, bundled shipments, and comprehensive solutions. Also, HIWIN will accelerate the development of new products such as wafer robot solutions, rotary tables, reducers, and medical robots, expanding into new application markets to boost revenue growth.

3. Competitive Niche:

- (1) HIWIN offers comprehensive electromechanical products and provides total solutions for intelligent automation and transformational upgrades.
- (2) HIWIN has a high self-production rate of system components, ensuring advantages in cost, quality, lead time, and design flexibility.
- (3) With a broad presence in various industries and global markets, HIWIN mitigates regional and industry-specific financial fluctuations risks.
- (4) Collaboration within the group creates synergy and sets HIWIN apart from its competitors.
- (5) HIWIN leads in multiple technologies, enabling its products to cater to the mid-to-high-end market with less competition from peers.
- (6) HIWIN provides flexible electromechanical integration applications and customized services tailored to customer needs. Customize services directly apply HIWIN's designs to customer products, showcasing the manufacturing capabilities of "Design in" and ESI and proactively creating customer value.

4. Advantages and disadvantages of development prospects and the solutions:

(1) Advantages:

- (1-1) The Company deployed key technologies in advanced and have tremendous strengths in technologies.
- (1-2) The Company has an innovative product portfolio and value-adding services to become industrial upgrading partner with its customers.
- (1-3) The Company is influential in the industry and able to lead the development of innovative technologies.
- (1-4) The Company's fast feedback system from global distribution channels enables early market insights.
- (1-5) The Company's global distribution network aligned with the localized supply chain trends in the post-pandemic era.
- (1-6) Increasing demand for smart manufacturing driven by the Industry 4.0 trend.
- (1-7) The global movement towards net-zero carbon emissions requires energy-saving and carbon-reducing products.
- (1-8) The company has a flexible "Total Solution" model for integrated electromechanical services.

(2) Disadvantages:

- (2-1) The market for linear products has become a Red Ocean with increasing low-price competitors.
- (2-2) Insufficient production capacity for new products.
- (2-3) Need help finding system integration partners to provide system services.
- (2-4) Economic uncertainty in the post-pandemic period resulted in conservative industry investment attitudes.
- (2-5) Challenges in acquiring IT talent for smart systems.
- (2-6) With subsidiaries worldwide, Taiwanese managers must have a global perspective and cultural intelligence to support subsidiary teams.
- (2-7) International political instability, various uncertainties, and regional incidents often affect the global economy.
- (2-8) Competitors imitate HIWIN's strategies, limiting HIWIN's market opportunities.

(3) Solutions:

- (3-1) Provide differentiated services and value through electromechanical integration solutions.
- (3-2) Build new factories to expand the organizational structure and production capacity for new products.
- (3-3) Dynamically adjust collaboration strategies with system integrators to attract partners with shared goals.

- (3-4) Increase market sensing capabilities through an enhanced global-local network and rapidly adjust local market strategies.
- (3-5) Foster collaboration between academia and industry, develop AI technologies and cultivate talents in integrated information software and system control.
- (3-6) Strengthen talent development, enhance managers' cultural intelligence, respect diverse cultures, and optimize international communication abilities.
- (3-7) Strengthen global distribution, stabilize local industries, and balance or mitigate the impact of global fluctuations.
- (3-8) Enhance brand advantage, exert influence through industry pioneers' successful models, and increase market share.

(ii) Important use and manufacturing process of main products

1. Primary use of products:

HIWIN's drive control products are mainly applied in semiconductor and optoelectronic manufacturing and testing equipment, automation equipment, biochemical and medical equipment, electronic equipment, machine tool, solar equipment, LED, industrial machinery, etc. The Company's series of drive control products correspond to the requirements of the rising environmental awareness and pursuit of high-quality life in modern society, including low pollution, low noise, low power consumption, automatic control, and refinement. Therefore, the more advanced the industry, the larger the demand.

2. Manufacturing process of main products:

(1) Ball Screw

Tapping → thermal treatment → thread-cutting → shoulder machining → external diameter processing → precision shaping → test → assemble → inspect

(2) Linear Guideway

Thermal treatment → drill hole → precision forming → inspect → assemble → final inspection

(iii) Supply of main raw materials

Material	Country	Supply status
Steel	Taiwan	Good
Steel	Japan	Good
Steel	Germany	Good
Steel	South Korea	Good

(iv) Customers with over 10% of gross purchase or gross sales in any year of the last 2 years:

1. List of manufacturers with over 10% of gross purchase

Unit: kNTD

2021				2022			
Name	Amount	% to Net Purchases	Relationship with the Issuer	Name	Amount	% to Net Purchases	Relationship with the Issuer
No manufacturers that take up more than 10% of total purchase				Supplier A	1,149,051	11.0	N/A
				Others	9,344,213	89.0	
Net Purchases	11,123,618	100.0		Net Purchases	10,493,264	100.0	

Cause of increase or decrease: Mainly due to the impact of the Russia-Ukraine war and the US-China trade tensions. To ensure a steady supply of materials, the company procured a larger quantity of steel from supplier A in advance.

2. List of customers with over 10% of gross sales

Unit: kNTD

2021				2022			
Name	Amount	% to Net	Relationship	Name	Amount	% to Net	Relationship

		Sales	with the Issuer			Sales	with the Issuer
Client A	3,571,837	13.1	N/A	Client A	4,442,513	15.2	N/A
Client B	3,279,988	12.0	N/A	Client B	3,052,680	10.4	N/A
Others	20,413,337	74.9		Others	21,819,455	74.4	
Net Sales	27,265,162	100.0		Net Sales	29,314,648	100.0	

Cause of increase or decrease: No major changes in the last two terms.

(v) Production quantity and value of the last 2 years

Unit: kNTD; Thousand

Quantity \ Year	2021			2022		
	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
BS	2,750	2,244	6,110,024	2,750	2,272	6,350,096
GW	33,500	29,759	17,687,522	33,700	32,169	20,517,181

(vi) Sales quantity and value of the last 2 years

Unit: kNTD; Thousand

Quantity \ Year	2021				2022			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
BS	232	957,254	1,876	4,782,681	204	850,240	2,113	5,461,797
GW	834	962,367	28,517	16,482,757	585	685,609	30,773	18,053,563
Other	—	475,642	—	3,604,461	—	435,965	—	3,827,474
Total	—	2,395,263	—	24,869,899	—	1,971,814	—	27,342,834

iii. Employee data of the recent two years and up to the publication date of this annual report

Year		2021	2022	2023 as of March 31st
Number of Employees (Note)	Indirect Employees	2,445	2,482	2,475
	Direct Employees	4,159	3,968	3,963
	Total (ppl)	6,604	6,450	6,438
Average Age (Note)		34.81	35.32	34.80
Average Length of Service (Note)		5.92	6.47	7.51
Education Background (%)	Doctor	0.30	0.25	0.25
	Master	10.54	11.12	11.12
	Junior College	53.42	53.05	52.27
	High School	32.28	31.74	32.54
	Without A High School	3.45	3.84	3.82

Note: Information of number of employees, average age, average length of service, and education background include that of subsidiaries

iv. Information regarding expenditure on environmental protection

Information of the Company's environmental safety and health:

(i) Environmental safety and health management performance:

1. Passed the ISO 14001 environmental management system verification in 1997.
2. Gong Plant I passed OHSAS 18001 Occupational Safety and Health Management System verification in 2002.
3. Gong Plant I passed Taiwan Occupational Safety and Health Management System (CNS15506) verification in 2008.

4. Gong Plant I was awarded Outstanding Unit with No Disasters in Working Hours (no disabling injuries for 7,593,510 hours) by the Council of Labor Affairs, Executive Yuan, in 2011.
5. Passed BSI ISO14064-1 (Greenhouse Gas) external audit in 2012 and continues to conduct external audits yearly.
6. The ball screw passed PAS 2050 (Product Carbon Footprint) external audit in 2012.
7. The Operational Headquarters, Gong Plant II, Tanzi Plant, and Yunke Plant I & II passed TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506) verifications and gained Performance Recognition of the Occupational Safety and Health Management System, Ministry of Labor, in 2013.
8. The Operational Headquarters acquired Cleaner Production Evaluation System Certificate from Industrial Development Bureau, MOEA, in 2013.
9. The Operational Headquarters passed TUV ISO 50001 energy management system verification in 2014.
10. Gong Plant II and Yunke Plant passed TUV ISO 50001 energy management system verification in 2015.
11. The Operational Headquarters, Gong Plant II, Tanzi Plant, and Yunke Plant I & II passed the annual certificate changing of TUV OHSAS 18001 and Occupational Safety and Health Management System (CNS15506).
12. Gong Plant I and Tanzi Plant passed TUV ISO 50001 energy management system verification in 2016.
13. The operating headquarters and Plant I passed ISO 14001: 2015 edition verification in 2017.
14. Yunke Plant II passed TUV ISO 50001 energy management system verification in 2018.
15. Gong Plant I was awarded the Gold Medal of the Republic of China Industrial Safety and Health Association for the award of the Excellent Unit for Disaster-free Working Hours (accumulated 12,058,371 hours without disability injury) in 2018.
16. Received the Occupational Safety and Health Management System ISO 45001 International Standard Certification in 2019.
17. Passed the ISO50001:2018 transition verification in 2019.
18. In 2020, the R16 ball screw and RGW45 linear guideway passed the ISO14067:2018 external verification.
19. Passed the ISO14046:2014 external organization water footprint verification in 2020.
20. Passed the ISO14064-1:2018 transition in 2021.
21. Jingke Plant 2, Yunke Plant 1 to 4, and Dapumei Plant 1 and 3 passed ISO 14001:2015 edition verification in 2022.
22. The Operating Headquarters passed ISO 46001: 2019 edition verification in 2022.

(ii) Air pollution control

1. According to the stationary pollution source process under environmental regulations, the Company installs pollution prevention equipment and maintains them regularly to improve their stability and ensure the exhaust meets regulatory requirements.
2. The Company regularly measures various pollutant concentrations and confirms they are far below regulatory limits.

(iii) Water resource and wastewater management

1. Every plant has wastewater treatment equipment that processes wastewater and discharges it into the sewage system after it meets effluent standards.
2. Each plant has applied for a water pollution prevention and control measure license by law and regularly commissions a testing agency accredited by the Environmental Protection Agency to the factory to detect the wastewater discharge situation to monitor the discharge water quality regularly and effectively. In 2022, the wastewater discharge met regulatory standards.
3. The Company holds regular drills according to the wastewater treatment procedure every year to reduce the impact of improper wastewater treatment on the environment.
4. To implement water resource management, the Department of Industrial Safety and Environmental Protection calculates tap water consumption weekly to confirm whether the water consumption is normal.
5. For domestic sewage: HIWIN set up reclaimed water recycling systems at the Operational Headquarters, Jingke Plant 2, Yunke Plant 1, 2, and 3, and Dapumei Plant 3. The recovered domestic sewage is mostly used for flushing toilets and irrigating plants. The wastewater from Yunke Plant 2 & 3 and Dapumei Plant 3 is treated and used for its process. In 2022, 52,311 metric tons of water were recovered, which was an increase of 3,033 metric tons from 49,278 metric tons in 2021.

(iv) Waste management

1. The types of waste generated by HIWIN include general business waste and hazardous business waste. These wastes are temporarily stored in different designated waste storage areas for their type and then transported by an approved cleaning agency recognized by the Environmental Protection Agency. Occasionally, personnel accompany the waste shipment to the disposal facility to ensure compliance with environmental regulations and prevent any leaks or violations. In 2022, there were two violations involving the failure to transport waste within the specified time limit and improper storage in the designated area. Subsequently, HIWIN amended its waste management plan and corrected its standard operating procedure.
2. HIWIN continues to promote waste reduction activities by providing waste management and recycling education to new employees upon entering the company. HIWIN also organizes regular training programs for employees on the job and inspects waste management efforts in various departments. The waste management status of each department is reported in meetings to implement waste classification and reduction goals effectively. In 2022, the training completion rate reached 100%.
3. HIWIN's waste management adheres to the principle of recycling to avoid ineffective waste treatment and minimize environmental impact. HIWIN conducted life cycle assessments of raw materials, products, transportation, packaging, and other factors. In 2022, the total waste output was 11,594 metric tons (11,245 metric tons of general business waste and 349 metric tons of hazardous business waste). All wastes were recycled or directly disposed of (incinerated and buried). Among the general business waste, 8,970 metric tons (77% of the total waste output) were recycled, representing a 10% decrease in utilization compared to 2021. This decrease was mainly due to changes in waste treatment methods. No recycling treatment was applied to hazardous business waste. The recycling treatment primarily involves remaking wastes into products and alternative fuels. By implementing reduction measures from the source, waste generation is reduced. In 2022, a target was set to reduce 25 metric tons of waste through sludge drying.

(v) Energy management and reduction

1. Total losses (including compensation) and punishment, future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, punishment, and compensation due to failure to take countermeasures; those not able to be estimated reasonably should be stated clearly) in the last year and as of the publication date of the annual report: Not applicable since HIWIN hasn't suffered any loss (including compensation) or punishment due to environment pollution in the most recent year and as of the publication date of the annual report.
2. HIWIN's Operational Headquarters, Gong Plant II, Jingke Plant 2, Yunke Plants, and Chiayi Dapumei Plants established the ISO 50001 energy management system. Through system implementation and energy diagnosis, the Company effectively managed its energy usage, formulated energy management policies, advocated energy-saving policies, and set reduction goals. After the implementation and improvement in 2022, the Company saved 7,400 megawatt-hours of electricity, resulting in an annual cost savings of approximately 21.76 million yuan. In addition, the Company reduced 3,767 metric tons of carbon dioxide emissions.

Plant	Plan	Annual energy saved (kWh)	Annual savings (10k NTD)	Carbon reduction (tons of CO ₂ e)
Operation Headquarters	Replaced high-efficiency air compressors and adjusted their operation mode	297	87	151
	Repaired the leaks in air pipelines and their fittings	998	293	508
Jingke Plant 2	Repaired the leaks in air pipelines and their fittings	755	222	384
Gong Plant 2	Lowered the air pressure supplied by the air compressors	249	73	127
	Improved the cooling effect of the	116	34	59

	cooling tower			
	Repaired the leaks in air pipelines and their fittings	120	35	61
Yunke Plant 1	Improved the cooling effect of the cooling tower	69	20	35
	Repaired the leaks in air pipelines and their fittings	2,207	649	1,124
	Replaced inefficient air compressors used in the process equipment.	425	125	216
	Holiday energy saving	699	206	356
Yunke Plant 2	Holiday energy saving	263	77	134
Yunke Plant 3	Adjusted the outlet temperature of the water chiller from 6.5°C to 8.5°C	135	40	69
	Repaired the leaks in air pipelines and their fittings	439	129	223
	Holiday energy saving	232	68	118
Dapumei Plant 1	Fixed the drive belts of the cooling tower's cooling fans.	37	11	19
	Holiday energy saving	198	58	101
Dapumei Plant 3	Repaired the leaks in air pipelines and their fittings	4	1	2
	Adjust the operation of the plant's freeze dryers.	47	14	24
	Holiday energy saving	101	32	56
	Total	7,400	2,176	3,767

3. Setting energy-saving goals: HIWIN will set another 30 energy-saving goals in 2023, estimated to save 17.21 million kilowatt-hours of electricity, approximately 50.6 million NTD of annual cost, and directly reduce 8,761 metric tons of carbon emissions.

v. Labor relations

(i) Employee welfare measures, further education, trainings, retirement system and implementation, labor agreement and employee benefit protection measures:

HIWIN places great importance on its employees. To pursue sustainable operations, create a safe, clean, and high-quality working environment, and make employees enjoy work, HIWIN joins hands with Taiwan's industry and commerce to promote a "Happy Enterprise," paying attention to the balance between employees' work and life. HIWIN referenced international human rights conventions to formulate and disclose its safeguarding human rights policies. HIWIN also provides employees a stage for development, cultivates talents, and offers generous salaries and welfare. To make employees have a sound mind and body, HIWIN holds occasional activities, such as mountain climbing, hiking, and sports day events regularly, and provides professional health consultation by inviting doctors to plants. HIWIN provides employees with diverse communication channels, such as labor meetings, departmental meetings, monthly meetings, suggestion boxes, and hotlines, to listen to their opinions and facilitate harmony between employees and the employer.

Since its foundation, HIWIN has considered employees its greatest asset, showing its appreciation for talents. HIWIN hires workers fairly and openly, implements gender equality, and treats employees equally, regardless of gender, religion, race, nationality, or political party. HIWIN respects all talents and actively employs people with disabilities to care for them and achieve sustainable operations. To recruit talents (such as R&D alternative service personnel) from various backgrounds, HIWIN actively collaborates with universities and colleges to facilitate internships, industry-academia cooperation, and corporate visits.

1. Employee welfare measures

(1) Taiwan Headquarters

HIWIN provides employee welfare policies such as medical care, comprehensive insurance plans for employees, meal subsidies, wedding and funeral subsidies, childcare subsidies, employee dormitories, and employee compensation. These policies ensure that each employee receives care for their physical and mental health and that their families have a better quality of life and, in turn, become the tower of strength for HIWIN employees. HIWIN provides a comprehensive welfare system as follows:

Welfare system	Items
Insurance/Medical Care	Group insurance, regular health examination, flu shots
Comprehensive insurance plans for employees	In accordance with the law, HIWIN provide labor insurance and national health insurance coverage for each employee to ensure comprehensive protection. Additionally, to ensure the livelihood of the employees and their families, HIWIN also has group insurance coverage for medical care, accidents, critical illnesses, and other insurance for employees and their dependents.
Epidemic prevention leave	In response to COVID-19, during the pandemic, HIWIN provide paid "Business-related Quarantine Leave" to employees traveling abroad. For employees taking care of their family members or undergoing self-isolation, HIWIN provide "Quarantine Leave" without affecting their attendance record, allowing employees to contribute to the epidemic prevention efforts.
Meal subsidy	To promote development and motivate employees and teams, the Company provides quarterly "Meal Subsidies" to departments for employees to arrange group meals or entertainment activities, enabling them to relax and get closer to each other outside of work.
Wedding and funeral subsidy	To enhance employee well-being, the Company offers marriage bonuses ranging from 3,600 to 60,000 NTD based on their position and years of service. In the unfortunate event of the employee or their dependents passing away, the Company provides funeral condolences ranging from 3,100 to 110,000 NTD.
Employee dormitory	Considering the accommodation expenses and safety concerns of out-of-town employees, HIWIN provides affordable and secure employee dormitories with a comprehensive safety management system. The dormitories have 24/7 security and organize disaster prevention drills. Dorm supervisors also care for the employees to ensure a comfortable living environment, promote interactions, and save expenses for employees.
Employee compensation	If the Company has earnings at the end of a fiscal year, it should allocate a maximum of 10% and a minimum of 1% for employee remuneration, allowing labor and management to share in the Company's success.
Female employee welfare	1.Childcare subsidy: Recognizing that the declining birth rate in Taiwan has become a future national concern, the Company provides a childcare subsidy of 180,000 NTD per child over three years to encourage employees to have children and share the burden of childcare expenses, fulfilling the Company's social responsibility. The subsidy plan was initially for two years and was extended to three years on October 1, 2017. As of the end of 2022, 1,381 employees have received childcare subsidies. 2.Parental Leave: In 2022, 31 employees applied for parental leave. Among these employees, 24 were expected to return to work, and 12 have returned. 3.Employee retention after returning to work: Among the 14 employees who returned in 2021, 9 remained employed by the end of 2022.
Others	Employee cafeteria, employee parking lot, provision of free meals and snacks for overtime work, travel subsidies, holiday vouchers, birthday vouchers, discounts at designated stores, sports competition bonuses, massage services, occasional cultural and art activities, and various activities that enhance physical and mental health.

Since 2012, HIWIN has been implementing the "Childcare Subsidy" policy to enhance Taiwan's birth rate and economic development. Regardless of gender, employees who have newborns are eligible for a monthly subsidy of 5,000 NTD for three consecutive years (up to a maximum of 180,000 NTD). This policy values the employees' work contributions and enables them to establish happy families and fulfill their generational responsibilities.

(2)Subsidiaries

- The subsidiaries implement employee welfare measures under local laws and labor market conditions. Performance bonuses are provided based on the business conditions of each subsidiary.

2. Continuing education and training:

(1) Taiwan Headquarters

- Excellent human resources are the cornerstone of sustainable business operations. To enhance the capabilities and qualities of the employees and maintain a long-term competitive advantage, the Company's chairman of the board, general manager, and first-level senior managers serve as internal instructors. Over the past five years, the Company has spent tens of millions of NTD annually on employee education and training, with a per capita training cost of at least NT\$2,000/person per year, ensuring that every employee has training opportunities.
- The Company's training program includes recruit training, core competency training, professional competency training, management competency training, and off-site training. Employees can receive appropriate education through diversified and enriching training programs including classroom training, on-the-job training, off-site training, study groups, lectures, advanced studies for degrees, job rotation, and project assignments.
- The Company provides tuition reimbursement programs for employees interested in continuing education to get degrees. The Company has also collaborated with schools to offer two-year college programs for employees who wish to continue their education.

(2) Subsidiaries

- Each subsidiary provides new recruit training, core competency training and professional competency training, and gives employees opportunities to further their education depending on the situation.

3. Retirement system:

Hiwin has a sound financial system and has established employee retirement programs in accordance with the Labor Standards Laws and the Labor Pension Act, allocating stable pension and benefits to its employees. The Company also commissions actuaries to provide regular pension reports to ensure the pension balance and safeguard the rights of employees to receive retirement benefits in the future.

(1) Taiwan Headquarters

- The Company established its employee retirement program per the Labor Standards Laws and the Labor Pension Act, including defined benefits and contribution plans. The former entails a monthly contribution of 2% of the employee's total salary to a retirement fund, deposited into a dedicated account in the name of the Supervisory Committee of Workers' Retirement Fund at the Bank of Taiwan. The latter entails a monthly contribution of 6% of the employee's salary to a retirement fund in the individual account at the Bureau of Labor Insurance.
- Retirement system and implementation:

Pension System	Old	New
Applicable law	Labor Standards Law	Labor Pension Statutes
Distribution method	2% of the employee's monthly salary, deposited in the name of the company into a Bank of Taiwan account	6% of the employee insurance level is paid to the individual account of the Labor Insurance Bureau
Amount	Labor Retirement Reserves amounted to NT\$ 152,907,000 as of the end of December, 2022	New pensions of NT\$ 170,908,000 in 2022

(2) Subsidiaries

- Each subsidiary implements pension rules according to local laws.

4. Labor agreement and employee benefit protection measures:

- Hiwin Technology has always attached great importance to employee welfare. HIWIN

adopts a two-way communication and coordination approach in labor management and holds regular labor-management meetings to harmonize labor relations and discuss labor cooperation promotion, labor conditions, and employee welfare. As a result, the labor-management relationship has been harmonious since the establishment of the company, and no significant labor disputes have occurred.

- In addition to providing group insurance, Hiwin organizes occasional environmental health and safety lectures and courses and regularly publishes electronic newsletters on environmental health and safety to ensure the personal safety of employees and enable them to handle emergencies appropriately.

(ii) Losses caused by labor disputes in the last year and as of the publication date of this annual report:

As of the publication date of this annual report, HIWIN (including the parent company and its subsidiaries) has a harmonious relationship between employers and employees, and there are no major losses arising from labor disputes and conflicts.

(iii) Any establishment on employee behavior or code of ethics?

HIWIN Technology has work rules in place to regulate matters such as employees' working hours, rewards and penalties, promotions, and welfare measures.

vi. Information security management

Information security management is one of the essential risks in business governance. To fulfill the responsibility of protecting information for customers, suppliers, and employees, HIWIN has been implementing various information security systems and tools. To achieve systematic information security management and verify its effectiveness through external third-party validation, the Company began developing and introducing the ISO 27001 Information Security Management System in mid-2022. By the end of 2022, the Company conducted an audit, approved the information security objectives and policies, and established the Information Security Management Committee. The progress of these efforts demonstrates the management's determination and support for promoting information security, allowing employees to recognize the managers' commitment and the importance of organizational information security.

(i) Organization and management structure:

HIWIN has established a dedicated information supervision unit based on the original information management organization. The senior executives oversee its operations and submit regular reports on information security management efforts to the Chairman. Regarding horizontal integration within the organization, department managers are included in the information supervision organization to ensure the implementation of information security management across the organization.

1. Organizational responsibilities: The Company established the Information Security Management Committee, with General Manager as the Chairman and departmental managers from the Information Department (consisting of five divisions, including the Risk Management Division), the Audit Office, and other departments. Together, they formulate information security objectives and development strategies and coordinate the management of information security matters.

2. Senior management involvement: The Chairman announces the Company's information security objectives and policies and oversees the implementation of these objectives through performance evaluation systems. This top-down approach promotes the establishment, implementation, and risk management of information security systems.

3. Implementation and promotion: Each departmental manager is included in the Information Security Management Committee to collectively promote and manage information security affairs, ensuring that all employees recognize the necessity and importance of information security and implementing related control measures.

4. System and culture: The Company introduced the ISO 27001 Information Security Management System and the Trusted Information Security Assessment Exchange (TISAX) platform. Using the Plan-Do-Check-Act (PDCA) management method, the Company pursues continuous improvement to enhance existing information security management measures and make it an integral part of the corporate culture. The Company incorporates information security regulations into its internal control management. The Board of Directors is responsible for decision-making and annual reviews to ensure the confidentiality, integrity, availability, and legality of information assets.

(ii) Information security policies:

Goals:

Effectively managing the security of the Company's data, systems, equipment, and networks is the best assurance for the Company, its shareholders, employees, customers, and suppliers. To this end, the Company not only constantly strengthens its ability to protect information security but also enhances employees' understanding and awareness of information security to reduce risks related to information operations. The Company also mandates its outsourced service providers and visitors to comply with applicable security management regulations to reduce information security risks. The Company received international standard certification consulting for the "ISO 27001 Information Security Management System" in 2022 and obtained ISO 27001 certification on March 31, 2023 (valid from March 31, 2023, to October 31, 2025). By implementing the Information Security Management System, the Company aims to strengthen its ability to respond to information security incidents and protect the Company's and its customers' assets. The information personnel and security managers in the Information Department are responsible for coordinating and implementing information security policies. They regularly report the implementation status to General Manager or higher-level management. They also assist the Human Resources Department in providing information security education and training to enhance employee awareness of information security. The Audit Office conducts annual audits of information security internal controls to assess the effectiveness of the Company's information operations and internal controls.

Implementation method:

- (1) Formulating information security operating regulations, defining security management objectives and operational guidelines, and promoting their implementation.
- (2) Establishing security measures such as identity authentication and access control and strengthening the management and review of internal and external information dissemination processes to prevent the unauthorized disclosure, errors, or tampering of confidential data.
- (3) Establishing a cross-departmental information security organization to formulate, promote, implement, evaluate, and improve measures for information security management to ensure the Company has an environment supporting business continuity.
- (4) Organizing information security education and training to enhance employees' awareness of and compliance with information security measures.
- (5) Establishing and implementing risk assessment mechanisms for information security to ensure the effectiveness and timeliness of information security management.
- (6) Implementing an internal audit system for information security to ensure the implementation of information security management.
- (7) Regularly reviewing and continuously improving the Company's information security management system.

(iii) Specific information security management plans and resource allocation:

In 2022, while maintaining existing system tools, HIWIN subscribed to Gartner's top-ranked MDR threat detection and incident response service. This service provides 24/7 monitoring by dedicated personnel, strengthening the protection of servers and endpoints. In the event of a detected threat, the system and personnel respond immediately to achieve better passive defense.

Effectively managing the security of the Company's data, systems, equipment, and networks is the best assurance for the Company, its shareholders, employees, customers, and suppliers. To this end, the Company not only constantly strengthens its ability to protect information security but also enhances employees' understanding and awareness of information security to reduce risks related to information operations. The Company also mandates its outsourced service providers and visitors to comply with applicable security management regulations. Regardless of who engages in any act that endangers information security, the Company will investigate and hold them civilly, criminally, and administratively liable based on the severity of the violation or enforce punishment according to relevant company regulations, demonstrating the Company's determination to protect information security. The Company also established the following guidelines and management plans for information security objectives:

Category/Item/Topic	Specific Management Plan/Resources
Firewall Protection	<ul style="list-style-type: none"> ■ Upgraded to the Layer 7 Firewall ■ Establish protocols for connection and communication control ■ Block identifiable threats and attacks.
Internet Access Control Mechanism	<ul style="list-style-type: none"> ■ All internet communications must pass through a securely managed gateway. ■ Prohibit access to websites that pose security risks or are unrelated to work.

	<ul style="list-style-type: none"> ■ Record and audit unnecessary access actions.
Endpoint Protection	<ul style="list-style-type: none"> ■ Deploy multi-layered and multi-dimensional endpoint protection systems, utilize virus patterns, and provide sandbox protection for unknown program behaviors ■ Subscribe to highly-rated MDR threat detection and incident response services for servers and important hosts
Operating System Updates	<ul style="list-style-type: none"> ■ Establish Microsoft's automatic security update system to update computer operating systems proactively. ■ Identify and update hosts listed as "update incomplete" in the endpoint security protection system. ■ Gradually phase out computers with operating systems or applications no longer receiving security updates
Email Security Management	<ul style="list-style-type: none"> ■ Implement a gateway system that filters SPAM (junk) emails and multi-layered security threat emails. ■ Activate virus scanning engines in the SPAM system to prevent harmful attachments.
Mobile Device Management	<ul style="list-style-type: none"> ■ Prohibit the use of mobile phones or smartphones with Wi-Fi ■ Manage business phones through Android Enterprise registration ■ Install mobile device management systems such as MDM/MAM/MCM
Network Access Control	<ul style="list-style-type: none"> ■ Implement internal network security control systems such as NAC (Network Access Control), IPAM (IP Address Management), and IAM (Identity and Access Management).

To implement information security objectives and policies, HIWIN provides education and training to raise the information security awareness of all system users:

1. Announce information security messages through multiple channels

(1) Include information security awareness and general security management principles in the new employee training to ensure that employees understand the concepts and necessary attitudes towards information security from the start of their employment.

(2) Continue broadcasting information security awareness messages through check-in KIOSK devices installed in various workplaces.

(3) Whenever an employee logs in to a computer, a mandatory pop-up window shows messages on information protection, intellectual property rights, and basic system security management principles, integrating information security management requirements into employees' daily operations.

(4) Employees who violate information security management or information protection regulations are subject to disciplinary actions based on the severity of the violation, demonstrating the Company's determination to maintain information security.

2. Perform drills to verify the level of security protection:

(1) Outsource social engineering attack drills to assess the effectiveness of HIWIN's education and training in enhancing employee awareness and behavioral understanding of information security and make improvements based on the results.

(2) Commission the Institute for Information Industry (III) to conduct security assessments using the MITRE framework on benchmark industrial control products to validate the security requirements in product development.

3. Adoption of international security standards:

Implement the ISO 27001 management system in core systems, integrating existing security operations, processes, and forms into a systematic framework. The target is to obtain certification through auditing and recommendations by March 2023.

(iv) Response to emerging security threats:

1. Offsite backup: The Company primarily uses the virtualized infrastructure of data centers for its servers. Based on the virtualization architecture with Changed Block Tracking (CBT) technology, the Company performs continuous drive snapshots and backups and transmits them to storage devices in offsite data centers daily. This enables quick system restoration in the event of a severe security incident.

2. Heterogeneous backup: For critical information assets with high risks, in addition to offsite backups, heterogeneous backup software and hardware with heterogeneous communication protocols are

implemented to enhance the ability to respond to severe security incidents involving encryption ransomware.

(v) Continuous improvement of security applications:

Since most of HIWIN's core information applications are self-developed, steady improvement of security features is necessary to achieve the Company's security objectives and strategies. In 2022, a total of 92 application security improvement designs were implemented in eight areas, including external system protection, technical risk improvement, system permission control, enhanced identification tracking, software development protection, data protection, physical file protection, and optimization of authentication mechanisms. The Company will continue to focus on these areas for the upcoming years.

(vi) Major information security incidents:

The Company has established an emergency reporting procedure for information security incidents. The Company will take appropriate measures or legal actions for any violation of the information security regulations. In addition, all employees should understand that any information obtained during working hours is company property, and unauthorized use is strictly prohibited. When an urgent security incident occurs, information personnel reports the abnormal event to the supervisor for evaluation and proposes immediate measures to mitigate damage and initiate recovery. If it is deemed a major security incident, the Company will disclose the critical information within the timeframe specified by the law. After handling the abnormal event, the Company will commission an external information security company to investigate the incident and develop improvement plans. The proposed plans are submitted to the Chairman and General Manager for approval and implementation.

In addition to regular security policy reviews, the Company reports the results of information security implementation to the Board of Directors at least once a year. In 2022, the Company performed well, with no significant security incidents.

vii. Important contracts

2023/03/31

Nature of Contract	Involved Party	Duration	Content	Restrictions
Contract of Factory Lease	William Tools Co., Ltd.	2014.11.16-2024.11.15	Factory Lease	N/A
	Wei-Chen Co., Ltd.	2020.08.01-2022.07.31 2022.08.01-2025.07.31	Factory Lease	N/A
	UDIFA Co., Ltd.	2022.01.01-2023.12.31	Factory Lease	N/A
	Yunlin Technology-based Industrial Park Service Center	2016.12.19-2036.12.18	Land Lease	N/A
	Hsieh Cheng Co., Ltd.	2020.09.16-2027.07.31	Factory Lease	N/A
	Hiwin Mikrosystem Corp.	2022.01.01-2023.12.31	Factory Lease	N/A
Long-Term Loan	Bank of Taiwan	2011.06.16-2026.06.16	Secured Loan	N/A
	Bank of Taiwan	2012.08.22-2027.08.22	Secured Loan	N/A
	Bank of Taiwan	2014.07.21-2029.07.21	Secured Loan	N/A
	Bank of Taiwan	2014.07.30-2029.07.30	Secured Loan	N/A
	Bank of Taiwan	2015.05.04-2030.05.04	Secured Loan	N/A
	Bank of Taiwan	2016.11.21-2031.11.21	Secured Loan	N/A
	Bank of Taiwan	2016.11.21-2023.11.21	Secured Loan	N/A
	Bank of Taiwan	2016.02.04-2031.02.04	Secured Loan	N/A
	Bank of Taiwan	2019.02.21-2026.02.21	Secured Loan	N/A
	Bank of Taiwan	2019.02.21-2034.02.21	Secured Loan	N/A
	Bank of Taiwan	2020.05.06-2027.04.15	Secured Loan	N/A
	Bank of Taiwan	2020.04.21-2030.04.15	Secured Loan	N/A
	Bank of Taiwan	2020.04.21-2027.04.15	Secured Loan	N/A
	Chang Hwa Bank	2020.05.26-2027.05.15	Secured Loan	N/A
	Chang Hwa Bank	2020.03.26-2030.03.26	Secured Loan	N/A
	Chang Hwa Bank	2020.03.26-2035.03.26	Secured Loan	N/A
	China Export and Import Bank	2020.04.30-2027.04.15	Secured Loan	N/A
Land Bank of Taiwan	2021.02.04-2026.02.04	Secured Loan	N/A	
KGI Bank	2022.12.05-2024.12.05	Credit Loan	N/A	

VI. Financial Overview

i. Condensed balance sheets and comprehensive income statements for the past five years

(i) Condensed balance sheet - International Financial Reporting Standards (consolidated)

Unit: kNTD

Year		2018	2019	2020	2021	2022
Subject						
Liquid Assets		18,454,284	14,847,455	15,609,183	18,553,372	20,318,800
Immovable Property, Plant and Equipment		25,226,895	28,279,428	27,864,527	27,354,252	27,678,842
Intangible Assets		256,163	256,163	256,163	256,163	256,163
Other Assets		4,955,500	4,948,810	4,307,909	4,868,032	3,885,861
Total Assets		48,892,842	48,331,856	48,037,782	51,031,819	52,139,666
Liquid	Before Distribution	17,638,899	15,622,870	12,451,303	13,852,541	9,410,217
	After Distribution	19,742,833	16,180,112	13,113,036	15,386,106	Note 2
Liabilities						
Non-Liquid Liabilities		6,815,543	9,054,509	8,197,085	6,712,163	7,764,782
Total Liabilities	Before Distribution	24,454,442	24,677,379	20,648,388	20,564,704	17,174,999
	After Distribution	26,558,376	25,234,621	21,310,121	22,098,269	Note 2
Equity Attributable to the Parent Company		24,180,459	23,743,253	27,562,128	30,280,285	34,751,330
Capital Stock		3,005,620	3,095,789	3,308,663	3,407,923	3,537,923
Capital reserve		3,236,274	3,236,274	5,600,568	5,516,470	7,479,735
Retained Earnings	Before Distribution	17,563,425	17,116,355	18,256,261	20,680,752	23,459,261
	After Distribution	15,459,491	16,559,113	17,594,528	19,147,187	Note 2
Other Equities		375,140	294,835	396,636	675,140	274,411
Non-Controlling Equities		257,941	(88,776)	(172,734)	186,830	213,337
Total Equity	Before Distribution	24,438,400	23,654,477	27,389,394	30,467,115	34,964,667
	After Distribution	22,334,466	23,097,235	26,727,661	28,933,550	Note 2

Note 1: The consolidated balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2022 dividend distribution was approved by the Board of Directors on February 24, 2023, but it has not yet been approved by the shareholders meeting.

(ii) Condensed balance sheet - International Financial Reporting Standards (individual)

Unit: kNTD

Subject		Year				
		2018	2019	2020	2021	2022
Current assets		14,812,932	11,161,567	11,602,773	13,634,036	13,505,839
Property, plant and equipment		20,804,336	22,336,826	21,629,762	21,339,966	21,166,992
Intangible assets		-	-	-	-	-
Other assets		8,610,485	8,495,812	8,581,402	8,995,177	10,124,351
Total assets		44,227,753	41,994,205	41,813,937	43,969,179	44,797,182
Liquid	Before Distribution	14,381,950	10,998,741	7,571,678	9,009,642	5,923,664
Liabilities	After Distribution	16,485,884	11,555,983	8,233,411	10,543,207	Note 2
Non-Liquid Liabilities		5,665,344	7,252,211	6,680,131	4,679,252	4,122,188
Total Liabilities	Before Distribution	20,047,294	18,250,952	14,251,809	13,688,894	10,045,852
	After Distribution	22,151,228	18,808,194	14,912,542	15,222,459	Note 2
Equity Attributable to the Parent Company		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Capital Stock		3,005,620	3,095,789	3,308,663	3,407,923	3,537,923
Capital reserve		3,236,274	3,236,274	5,600,568	5,516,470	7,479,735
Retained	Before Distribution	17,563,425	17,116,355	18,256,261	20,680,752	23,459,261
Earnings	After Distribution	15,459,491	16,559,113	17,594,528	19,147,187	Note 2
Other Equities		375,140	294,835	396,636	675,140	274,411
Non-Controlling Equities		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total Equity	Before Distribution	24,180,459	23,743,253	27,562,128	30,280,285	34,751,330
	After Distribution	22,076,525	23,186,011	26,900,395	28,746,720	Note 2

Note 1: The individual balance sheet is based on International Financial Reporting Standards and audited and certified by accountants.

Note 2: The 2022 dividend distribution was approved by the Board of Directors on February 24, 2023, but it has not yet been approved by the shareholders meeting.

(iii) Condensed income statement - International Financial Reporting Standards (consolidated)

Unit: kNTD (the unit for Earnings per Share is 1 NTD)

Item \ Year	2018	2019	2020	2021	2022
Operating Revenue	29,333,129	20,209,798	21,266,659	27,265,162	29,314,648
Operating Margin	11,629,580	6,775,015	5,790,407	9,815,408	10,715,350
Operating Profit and Loss	6,419,195	2,400,890	1,732,474	5,114,593	5,572,449
Non-Operating Income and Expenses	(323,235)	(191,041)	570,997	(639,773)	245,501
Net Profit Before Tax	6,095,960	2,209,849	2,303,471	4,474,820	5,817,950
Net Profit of the Term	4,890,423	1,640,877	1,698,779	3,154,693	4,311,735
Other Consolidated Profit and Loss of the Term (Net of Tax)	483,704	(34,226)	93,724	281,444	(374,883)
Total Consolidated Profit and Loss of the Term	5,374,127	1,606,651	1,792,503	3,436,137	3,936,852
Net Profits Attributable to Owners of the Parent Company	5,392,257	1,865,316	1,929,730	3,532,230	4,479,381
Net Profit Attributable to Non-Controlling Equities	(501,834)	(224,439)	(230,951)	(377,537)	(167,646)
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	5,878,542	1,827,643	2,017,501	3,814,946	4,102,206
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(504,415)	(220,992)	(224,998)	(378,809)	(165,354)
Earnings per Share	17.38	5.85	5.87	10.36	12.98

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(4) (iv) Condensed income statement - International Financial Reporting Standards (individual)

Unit: kNTD (if the unit for earnings/share is NTD)

Item \ Year	2018	2019	2020	2021	2022
Operating Revenue	24,600,218	14,831,319	16,783,132	23,005,899	22,314,862
Operating Margin	9,427,810	4,199,689	3,849,949	7,767,170	7,288,780
Operating Profit and Loss	6,077,872	2,918,580	2,175,984	4,702,018	4,887,424
Non-Operating Income and Expenses	212,726	(593,695)	220,347	(170,632)	737,092
Net Profit Before Tax	6,290,598	2,324,885	2,396,331	4,531,386	5,624,516
Profit (loss) from continuing operations	5,392,257	1,865,316	1,929,730	3,532,230	4,479,381
Other Consolidated Profit and Loss of the Term (Net of Tax)	486,285	(37,673)	87,771	282,716	(377,175)
Total Consolidated Profit and Loss of the Term	5,878,542	1,827,643	2,017,501	3,814,946	4,102,206
Net Profits Attributable to Owners of the Parent Company	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net Profit Attributable to Non-Controlling Equities	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Earnings per share	17.38	5.85	5.87	10.36	12.98

Note: The individual income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(v) CPA name and audit opinions of the last 5 years

Year	Accounting firm	CPA	Audit opinion
2018	Deloitte & Touche	Yan Xiao-Fang, Tseng Dong-Yun	Unqualified opinion
2019	Deloitte & Touche	Tseng Dong-Yun, Wu Li-Tung	Unqualified opinion
2020	Deloitte & Touche	Tseng Dong-Yun, Wu Li-Tung	Unqualified opinion
2021	Deloitte & Touche	Wu Li-Tung, Tseng Dong-Yun	Unqualified opinion
2022	Deloitte & Touche	Wu Li-Tung, Yan Xiao-Fang	Unqualified opinion

ii. Financial Analyses for the Past 5 Fiscal Years

(i) International Financial Reporting Standards (Consolidated)

Item		Year				
		2018	2019	2020	2021	2022
Financial Structure (%)	Liability-Asset Ratio	50.02	51.06	42.98	40.30	32.94
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	123.89	115.66	120.47	135.92	154.38
Debt-Paying Ability	Liquidity Ratio (%)	104.62	95.04	125.36	133.93	215.92
	Quick Ratio (%)	53.26	45.90	74.49	72.85	119.41
	Interest Guarantee (times)	42.47	12.20	11.43	27.45	32.13
Operating Ability	Collection Turnover Ratio (times)	5.57	3.69	3.79	5.12	7.66
	Average Collection Days	66	99	96	71	48
	Inventory Turnover Ratio (times)	2.29	1.51	2.00	2.11	1.93
	Payables Turnover Ratio (times)	3.57	3.41	5.54	4.69	5.21
	Average Inventory Conversion Days	159	242	183	173	189
	Immovable Property, Plant and Equipment Turnover (times)	1.26	0.76	0.76	0.99	1.07
	Total Assets Turnover (times)	0.68	0.42	0.44	0.55	0.57
Profitability	Return on Assets (%)	11.59	3.71	3.91	6.65	8.66
	Return on Equity (%)	23.83	6.82	6.93	11.30	13.18
	Net Profit Before Tax to Paid-up Capital Ratio (%)	202.82	71.38	69.62	131.31	164.45
	Net Profit Ratio (%)	16.67	8.12	7.99	11.57	14.71
	Earnings per Share (NT\$)	16.87	5.68	5.87	10.36	12.98
Cash Flow (%)	Cash Flow Ratio	29.20	8.92	42.18	58.91	64.58
	Cash Flow Adequacy Ratio	66.96	52.46	70.06	79.69	85.62
	Cash Reinvestment Ratio	13.34	(2.17)	13.19	20.17	10.63

Degree of Leverage	Degree of Operating Leverage	1.81	3.07	3.91	2.04	1.99
	Degree of Financial Leverage	1.02	1.09	1.15	1.03	1.03
<p>Reasons why each financial ratio has changed by 20% in the last two years:</p> <ol style="list-style-type: none"> 1. The quick and liquidity ratios decreased mainly due to the repayment of loans, resulting in a decrease in liquid liabilities. 2. The collection turnover ratio increased while the average collection days decreased primarily due to a good collection of receivables, resulting in decreased receivable balance. 3. The return on assets, net profit before tax to paid-up capital ratio, net profit ratio, and earnings per share increased, mainly due to the good operating performance this year. 4. The cash reinvestment ratio decreased, primarily due to lower cash generated from business operations and higher dividend payments in this term. 						

Note: The consolidated financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) International Financial Reporting Standards (Individual)

Item		Year				
		2018	2019	2020	2021	2022
Financial Structure (%)	Liability-Asset Ratio	45.33	43.46	34.08	31.13	22.43
	Ratio of Long-Term Capital to Immovable Property, Plant and Equipment	143.46	138.76	158.31	163.82	183.65
Debt-Paying Ability	Liquidity Ratio (%)	103.00	101.48	153.24	151.33	228.00
	Quick Ratio (%)	61.10	55.69	103.86	98.64	143.43
	Interest Guarantee (times)	79.54	23.42	21.21	67.23	99.17
Operating Ability	Collection Turnover Ratio (times)	4.01	2.54	3.12	3.66	4.36
	Average Collection Days	91	144	117	100	84
	Inventory Turnover Ratio (times)	3.12	1.87	2.81	3.35	2.87
	Payables Turnover Ratio (times)	3.37	2.92	5.03	4.50	4.84
	Average Inventory Conversion Days	117	195	130	109	127
	Immovable Property, Plant and Equipment Turnover (times)	1.31	0.69	0.76	1.07	1.05
	Total Assets Turnover (times)	0.64	0.34	0.40	0.54	0.50
Profitability	Return on Assets (%)	14.11	4.53	4.84	8.37	10.20
	Return on Equity (%)	26.65	7.78	7.52	12.21	13.78
	Net Profit Before Tax to Paid-up Capital Ratio (%)	209.29	75.10	72.43	132.97	158.98
	Net Profit Ratio (%)	21.92	12.58	11.50	15.35	20.07
	Earnings per share (NTD)	16.87	5.68	5.87	10.36	12.98
Cash Flow (%)	Cash Flow Ratio	40.06	18.59	66.18	79.90	123.31
	Cash Flow Adequacy Ratio	78.49	67.51	84.70	92.64	97.88
	Cash Reinvestment Ratio	16.02	(0.19)	13.10	18.70	14.85
Degree of Leverage	Degree of Operating Leverage	1.69	1.79	2.45	1.93	1.74
	Degree of Financial Leverage	1.01	1.04	1.06	1.01	1.01

Reasons why each financial ratio has changed by 20% in the last two years:

1. The liability ratio, quick ratio, and current ratio decreased while the cash flow ratio increased, mainly due to the repayment of loans, resulting in a decrease in liquid liabilities.
2. The interest guarantee ratio, return on assets, net profit ratio, and earnings per share increased, primarily due to the good operating performance this year.
3. The cash reinvestment ratio decreased, primarily due to lower cash generated from business operations and higher dividend payments in this term.

Note: The individual financial statement is based on International Financial Reporting Standards and audited and certified by accountants.

1. Financial Structure

(1) Debt Asset Ratio = $\text{Total Liabilities} / \text{Total Assets}$

(2) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment = $(\text{Total Equity} + \text{Non-Current Liabilities}) / \text{Net Amount of Immovable Property, Plant and Equipment}$

2. Debt-Paying Ability

(1) Liquid Ratio = $\text{Liquid Assets} / \text{Liquid Liabilities}$

(2) Quick Ratio = $(\text{Liquid Assets} - \text{Inventory} - \text{Upfront Fees}) / \text{Liquid Liabilities}$

(3) Interest Protection Multiples = $\text{Profit before Income Tax and Interest Expense} / \text{Interest Expense of This Period}$

3. Operating Ability

(1) Receivables (Including Receivables and Notes Receivable from Operating Activities) Turnover Ratio = $\text{Net Sales} / \text{Balance of Average Receivables of Each Period (Including Receivables and Notes Receivable from Operating Activities)}$

(2) Average Collection Days = $365 / \text{Receivables Turnover Ratio}$

(3) Inventory Turnover Ratio = $\text{Cost of Sales} / \text{Average Inventory}$

(4) Payables (Including Payables and Notes Payable from Operating Activities) Turnover Ratio = $\text{Cost of Sales} / \text{Balance of Average Payables of Each Period (Including}$

$\text{Payables and Notes Payable from Operating Activities)}$

(5) Average Inventory Conversion Days = $365 / \text{Inventory Turnover Ratio}$

(6) Ratio of Long-Term Capital to Immovable Property, Plant and Equipment = $(\text{Total Equity} + \text{Non-Current Liabilities}) / \text{Net Amount of Immovable Property, Plant and Equipment}$

(7) Total Assets Turnover Ratio = $\text{Net Sales} / \text{Total Assets}$

4. Profitability

(1) Return on Assets = $[\text{Profit and Loss After Tax} + \text{Interest Expense} * (1 - \text{Tax Rate})] / \text{Average Total Assets}$

(2) Return on Equity = $\text{Profit and Loss After Tax} / \text{Average Net Shareholders' Equity}$

(3) Net Profit Ratio = $\text{Profit and Loss After Tax} / \text{Net Sales}$

(4) Earnings per Share = $(\text{Profit And Loss Attributable to the owners of the parent company} - \text{Dividend on Preferred Stock}) / \text{Weighted Average Outstanding Shares}$

5. Cash Flow

(1) Cash Flow Ratio = $\text{Cash Flow from Operating Activities} / \text{Liquid Liabilities}$

(2) Cash Flow Adequacy Ratio = $\text{Cash Flow from Operating Activities of the last 5 years} / (\text{Capital Expenditure} + \text{Inventory Increase} + \text{Cash Dividend}) \text{ of the last 5 years}$

(3) Cash Reinvestment Ratio = $(\text{Cash Flow from Operating Activities} - \text{Cash Dividend}) / (\text{Gross Amount of Immovable Property, Plant and Equipment} + \text{Permanent Investment} + \text{Other Non-liquid Assets} + \text{Working Capital})$

6. Degree of Leverage

(1) Degree of Operating Leverage = $(\text{Net Operating Revenue} - \text{Variable Operating Costs and Expenses}) / \text{Operating Profit}$

(2) Degree of Financial Leverage = $\text{Operating Profit} / (\text{Operating Profit} - \text{Interest Expense})$

iii. The Audit Committee's Audit Report of the Financial Report for the Past Year

HIWIN Technologies Corp. The Audit Committee's Audit Report

The Audit Committee has reviewed the 2022 Business Report, Financial Statements, and Earning Distribution Plan prepared by the Board of Directors (Deloitte & Touche audited the Financial Statements) and issued this audit report. According to the review of this committee, all statements and reports referred to above are prepared according to law. Therefore, this report is hereby submitted following the Securities and Exchange Act, the Company Laws, and relevant regulations for your review and approval.

HIWIN Technologies Corp.
Audit Committee Convener: Cheng-He Chiang

February 24, 2023

iv. Statement and Auditor's Report Prepared by a CPA for the Most Recent Fiscal Year

Please refer to Appendix 1.

v. Consolidated Financial Statements audited by CPA for the past year

Please refer to Appendix 2.

vi. The impacts of any financial difficulties encountered by the Company or its affiliates in the past year and as of the publication date of this annual report on the company s financial status: None.

VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

i. Financial Status

(i) Financial Position Analysis

Unit: kNTD

Item \ Year	2021	2022	Difference	
			Sum	%
Current assets	18,553,372	20,318,800	1,765,428	9.52
Fund and Investment	1,721,916	1,176,887	(545,029)	(31.65)
Property, plant and equipment	27,354,252	27,678,842	324,590	1.19
Other assets	3,402,279	2,965,137	(437,142)	(12.85)
Total assets	51,031,819	52,139,666	1,107,847	2.17
Liquid Liabilities	13,852,541	9,410,217	(4,442,324)	(32.07)
Long-Term Liabilities	5,378,148	6,309,496	931,348	17.32
Other Liabilities	1,334,015	1,455,286	121,271	9.09
Total Liabilities	20,564,704	17,174,999	(3,389,705)	(16.48)
Equity Attributable to the Parent Company	30,280,285	34,751,330	4,471,045	14.77
Equity	3,407,923	3,537,923	130,000	3.81
Capital reserve	5,516,470	7,479,735	1,963,265	35.59
Retained Earnings	20,680,752	20,343,538	(337,214)	(1.63)
Other Equities	675,140	274,411	(400,729)	(59.35)
Non-Controlling Equities	186,830	213,337	26,507	14.19
Total Equity	30,467,115	34,964,667	4,497,552	14.76

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) Analysis of changes in the increase or decrease ratio exceeding 20%:

- 1、The decrease in funds and investments is primarily due to the decline in stock prices of investment targets.
- 2、The reduction in liquid liabilities is mainly a result of sufficient funds available for loan repayments.
- 3、The increase in capital reserve is primarily due to the cash capital increase issued at a premium.
- 4、The decrease in other equity is because the decline in stock prices of investment targets is considered unrealized gains or losses on financial assets.

ii. Financial Performance

(i) Operating results analysis

Unit: kNTD

Item \ Year	2021	2022	Increased (Decreased) Amount	Rate of Change (%)
Net Operating Revenue	27,265,162	29,314,648	2,049,486	7.52
Operating Costs	17,449,754	18,599,298	1,149,544	6.59
Operating Margin	9,815,408	10,715,350	899,942	9.17
Operating Expenses	4,700,815	5,142,901	442,086	9.40
Operating Profit	5,114,593	5,572,449	457,856	8.95
Non-Operating Income and Expenses	(639,773)	245,501	885,274	(138.37)
Profit Before Tax	4,474,820	5,817,950	1,343,130	30.02
Income Tax Expense	1,320,127	1,506,215	186,088	14.10
Net Profit of This Year	3,154,693	4,311,735	1,157,042	36.68
Other Consolidated Profit and Loss of the Term (Net of Tax)	281,444	(374,883)	(656,327)	(233.20)
Total Consolidated Profit and Loss of the Term	3,436,137	3,936,852	500,715	14.57
Net Profits Attributable to Owners of the Parent Company	3,532,230	4,479,381	947,151	26.81
Net Profit Attributable to Non-Controlling Equities	(377,537)	(167,646)	209,891	(55.59)
Total Consolidated Profit and Loss Attributable to Owners of the Parent Company	3,814,946	4,102,206	287,260	7.53
Total Consolidated Profit and Loss Attributable to Non-Controlling Equities	(378,809)	(165,354)	213,455	(56.35)

Note: The consolidated income statement is based on International Financial Reporting Standards and audited and certified by accountants.

(ii) Analysis of changes in the increase or decrease ratio exceeding 20%:

- 1、The profit before tax, net profit for the year, and net profit attributable to owners of the parent company have increased because of the sound operating conditions in this term, with increased sales leading to higher gross profit and margin and improved various operational performance indicators.
- 2、The increase in non-operating income is mainly due to the absence of impairment losses recognized in this term.
- 3、The decrease in other consolidated profit and loss of the term (net of tax), net profit attributable to non-controlling equities, and total consolidated profit and loss attributable to non-controlling equities is primarily due to increased losses in subsidiaries under non-controlling equities.

(iii) Possible effects of expected sales quantity and its basis on the Company's future financial business and the Company's countermeasures:

The Company doesn't have any publicly disclosed financial forecasts. For more information, please refer to the "Letter to Shareholders".

iii. Cash Flow

(i) Liquidity analysis of the last 2 years:

Item	Year	2021	2022	Increase (Decrease) Percentage (%)
	Cash Flow Ratio (%)		58.91	64.58
Cash Flow Adequacy Ratio (%)		79.69	85.62	7.44
Cash Reinvestment Ratio (%)		20.17	10.63	(47.30)

Analysis for the changes over 20%:
The cash reinvestment ratio decreased, primarily due to lower cash inflow from business operations and higher dividend payments in this term.

Note: The consolidated financial statement is based on International Financial Reporting Standards.

(ii) **Improvement plan for insufficient liquidity:** The Company has no lack of liquidity.

(iii) **Analysis of cash liquidity in the coming year:** The company expects that the cash on the books and cash inflows from operating activities should be able to cover investment activities and financing activities in the coming year. No worries about cash liquidity in the coming year.

iv. Effects of Major Capital Expenditure on Financial Business of the Past Year

(i) Major capital expenditure and capital source

Unit: kNTD

Projects	Actual or expected capital source	Actual or expected completion date	Total capital required in 2022 and 2023	Actual capital expenditure in 2022 and planned capital expenditure in 2023	
				2022	2023
Building factories	Own funds, financing	2023.12	3,199,654	1,139,654	2,060,000
Increasing production equipment	Own funds, financing	2023.12	2,137,480	1,037,480	1,100,000

(ii) Estimated benefits

The capital expenditure is mainly for capacity expansion for future business growth and vertical integration of the manufacturing process to keep strengthening the product quality, the flexibility of the delivery time, and the optimum cost competitiveness.

v. Reinvestment policy of the past year, main causes for profits or losses, improvement plan and investment plan for the coming year

HIWIN's re-investment strategy is to strengthen the comprehensive development of products, processes, key technologies, marketing, and customer service. The goal is to replicate the company's successful production and management experience through re-investments to reduce production costs and provide localized customer service, thus accelerating global deployment.

In 2022, HIWIN's subsidiaries in Germany, the United States, Singapore, China, Italy, Switzerland, and Mega Fabs were all profitable. The Japanese subsidiary incurred losses due to the ongoing expansion of its scale, resulting in increased personnel, management, and sales expenses. The benefits of revenue growth have yet to show in the short term, so the Japanese subsidiary incurred a loss in 2022. In recent years, the South Korean subsidiary has been dedicated to market development and has gradually achieved results. Still, the subsidiary has yet to reach its desired economic scale, so it also incurred a loss in 2022. By continuing to expand the market, recruit talented workers, and further improve the completeness of the product line, future business conditions will gradually improve.

Matrix Precision Co., Ltd. collaborates with MATRIX, a major British gear machine tool manufacturer, in marketing, developing, improving processing efficiency, and enhancing automation to advance toward smart manufacturing. Matrix Precision's products are positioned in the mid-to-high-end market, emphasizing their precision and quality that are on par with leading international manufacturers' products and their advantage of a high cost-performance ratio compared to commercial general-purpose machines. In recent years, the Company's efforts to establish sales channels in emerging markets have

paid off, yielding positive results and increasing urgent orders and conversions. Furthermore, in response to the boom of electric vehicles, demands for gear processing precision become higher, which has driven the need for high-end gear grinding machines. By integrating mechanical and electrical resources and software upgrades within the group, the Company enhances processing efficiency and automation while strengthening its customization capabilities, significantly increasing the added value of machine tools.

Eterbright Solar Corporation is currently focused on research and development and promoting new products. In terms of patents, they have obtained multiple CIGS solar tile product invention patents and design patents and have simultaneously applied for patents in the European Union and other regions. The power generation capacity has also increased and was certified in 2022. Eterbright Solar Corporation will uphold its professionalism and continue to develop products, improving its efficiency while ensuring quality. They will gradually expand their market by integrating buildings with solar products, creating new opportunities with leading advantages in related fields.

For overseas markets where subsidiaries have yet to be established, the Company will evaluate setting direct business locations in suitable places at the right time to provide timely support to agents or directly supply customers in those regions.

vi. Risk Analysis

(i) Risk factors: Analyze and evaluate the following items in the last year and as of the publication date of this annual report

1. Impact of interest rate, change in the exchange rate, and inflation on company profit and loss and the company's countermeasures

(1) Interest rate:

As of the publication date of this annual report, HIWIN's short-term borrowings can be used cyclically within the contractual period. To improve the financial structure and reduce the risk of interest rate fluctuations, the Company regularly evaluates the bank borrowing and market interest rates to negotiate better financing rates with banks. Therefore, interest rate fluctuations have not had a significant impact on HIWIN.

(2) Exchange rate:

In 2022, HIWIN's foreign currency revenue mainly came from RMB, euros, and US dollars, while major raw material and machinery equipment purchases were made in US dollars, euros, and Japanese yen. HIWIN has implemented foreign exchange risk management policies for asset and liability management over the years. They also use forward exchange contracts to reduce the exchange rate risk produced by assets and liabilities. To cope with exchange rate fluctuations, HIWIN constantly collects information on exchange rate changes to understand and assess exchange rate trends. HIWIN maintains a good relationship with banks and takes appropriate measures in response to exchange rate fluctuations to avoid exchange rate risk.

(3) Inflation:

According to the data released by the Directorate-General of Budget, Accounting, and Statistics, the annual increase rate for Taiwan's Consumer Price Index (CPI) in 2022 and 2023 were 2.53% and 2.12%, respectively. The assessed inflation risks are still within an acceptable range. HIWIN Technology continues to reduce costs through raw material inventory management, procurement strategies, and innovative process research and adjusts prices appropriately to increase profits. These plans are sufficient to cope with environmental changes and mitigate the impact of inflation on the company.

2. Policies, main reasons, and future measures regarding high-risk and high leveraged investments, lending funds to other parties, endorsements and guarantees, and derivatives transactions

(1) HIWIN Technology has never engaged in high-risk and high-leverage investment transactions.

(2) As of the publication date of this annual report, apart from lending funds to subsidiaries to meet their operational needs, HIWIN Technology has never lent funds to others except for HIWIN Japan. The year-end balance and actual disbursement amount for 2022 were both NT\$212,693,000. The lending of the funds above to others was conducted following the Procedures for Lending Funds and approved by the Board of Directors.

(3) When providing endorsements and guarantees, HIWIN follows the Procedures for Endorsements and Guarantees and obtains approval from the Board of Directors. The year-end balance for 2022 was NT\$4,416,323,000, and the actual disbursement amount was NT\$2,391,900,000. This endorsement and guarantee can effectively reduce the need for

capital increase by the parent company and facilitate tax planning.

- (4) HIWIN Technology engages in financial derivatives transactions conservatively and cautiously, primarily to avoid risks. These transactions use actual foreign exchange receipts and payments to mitigate the substantial exchange rate fluctuation risk arising from sales and purchases. HIWIN has never engaged in speculative operations.

3、Future R&D plans and estimated R&D expenses

The consolidated financial statements of HIWIN for 2022 showed research and development expenses of NT\$1,129,207,000, accounting for 4% of the consolidated revenue, an increase of NT\$70,315,000 or 7% compared to NT\$1,058,892,000 in 2021. HIWIN will continue investing in R&D to enhance long-term development capabilities, including new products such as intelligent linear guideways and ball screws, torque motor rotary tables, and various multi-axis robots. The key projects for R&D are as follows:

Project title	Current progress	Important factors that decide the success of future R&D
Specifications expansion of the intelligent ball screw and linear guideway	In development	Can be successfully developed
Development of new series of wafer robotic arms/wafer	In development	Can be successfully developed
Specification expansion of the turntables for EDM equipment	In development	Can be successfully developed
Specification expansion of the of the compound high-speed turntable	In development	Can be successfully developed

HIWIN's projected R&D expenses for 2023 are expected to increase by 10% to 15% compared to NT\$1,129,207,000 in 2022, reaching approximately NT\$1,250,000,000 to NT\$1,300,000,000. The long-term goal is to maintain an R&D expenditure that accounts for 10% of the Company's operating revenue. The focus of R&D will be on smart manufacturing, intelligent automation, Industry 4.0, environmental protection, green energy, and ESG. While meeting customer needs, HIWIN will continue integrating processes and restructuring internal workflows to reduce costs and boost its market competitiveness.

4、Impact of significant domestic and international policies and regulation changes on the Company's financial operations and its response measures:

HIWIN manufactures transmission control and system product that are key components and necessities for economic development. Therefore, changes in domestic and international policy or regulation have little effect on HIWIN's business and finances. As of the publication date of this annual report, no significant domestic or international policy or regulation changes have affected the Company's financial and business operations. The Company's management team is vigilant about significant domestic and international policy and regulation changes, fully aware of the industry status, and responsive to market changes to minimize potential adverse impacts.

5、Impact of technology and industry changes on the Company's financial operations and its response measures:

In the post-pandemic era, market risks mainly stem from the continued mutation of viruses, limiting the recovery of developed countries. Economic recovery is even slower in emerging countries due to inadequate vaccine distribution. As a major economy, the Chinese market's uncertainty affects the supply chain layout. The rising raw material prices due to disruptions in shipping and supply chains and inflation risk are both unsolvable problems in the short term. Labor shortages and wage increases have also become common challenges across industries. Additionally, environmental risks require urgent actions to comply with global decarbonization policies.

In the face of these environmental risks, companies must adapt by adjusting materials, processes, and production methods. HIWIN, with its electromechanical integration capabilities, provides intelligent automation solutions for various industries to address the need for labor and local manufacturing. Regarding the net-zero carbon emission objective, HIWIN also advocates for green production and sustainable supply chain management.

The ongoing trade tensions between the US and China and the recent trends of short-chains and decentralized manufacturing have led industries such as semiconductors, 5G, ADAS intelligent fuel vehicles, and electric vehicles to plan investments in Eastern Europe and Southeast Asia for localized production. Therefore, Eastern Europe and Southeast Asia will play increasingly important roles in the future manufacturing value chain.

The purpose of technological and industrial evolution is to enhance the well-being of humanity, which aligns with HIWIN's business philosophy. Therefore, HIWIN will continue to strengthen its research and development capabilities, constantly expand the range and value of its products, grasp long-term trends in technology and industry, and adjust short, medium, and long-term development strategies to achieve sustainable operations.

6、Impact of corporate image changes on crisis management and response measures

HIWIN has long been committed to sustainable development, public welfare, and educational activities (refer to Section III.iii.(V) for details) and has received numerous awards. For example, the "Submersible High-Speed Rotary Worktable" and the "Interactive Lower Limb Rehabilitation Training Machine" both received the Taiwan Excellence Silver Award. HIWIN has been selected as one of Taiwan's top 25 international brands for three consecutive years. HIWIN also actively promotes ESG and plans comprehensive energy and carbon reduction initiatives to advance toward the 2050 net-zero emissions goal. HIWIN has received the "Award for Outstanding Sustainability and Resilience" from British Standards Institute (BSI), the "Best Action Plan - Silver Award" from Taiwan Sustainability Action Awards (TSAA), the "Comprehensive Performance - Taiwan TOP 50 Sustainability Corporate Award" and the "Corporate Sustainability Report - Electronic Information Manufacturing Industry - First Class Gold Award" from Taiwan Corporate Sustainability Awards (TCSA). HIWIN has also obtained the world's first ISO 46001 Water Resource Management Certificate issued by TÜV Rheinland Germany, demonstrating governmental and external recognition of HIWIN's exemplary corporate image. In the event of any crisis that may affect HIWIN's corporate image, the risk management team will take necessary measures.

7、Anticipated benefits, possible risks and countermeasures of mergers

In the recent fiscal year and as of the publication date of this annual report, the Company has not engaged in any merger and acquisition activities.

8、Anticipated benefits, possible risks and countermeasures of plant expansion

Please refer to VII. iv of this annual report for plant expansion information. Over the years, HIWIN has laid a solid foundation in R&D and process improvement, resulting in rich experience and positive outcomes. In addition to controlling the source of raw materials and reducing material costs, HIWIN also constantly improves its processes to achieve the most efficient production. Therefore, the expansion of plants is expected to bring significant benefits compared to the existing facilities.

Although expanding plants requires capital investment, the newly developed products can meet the requirements of economies of scale to reduce production costs and complete the Company's product portfolio, providing customers with a one-stop service to buy all component and subsystem products at once. The financial analysis also indicates that the expansion can increase production capacity, reduce product costs, and improve gross profit margins. In conclusion, even in the face of economic cycles and temporary reductions in demand, HIWIN possesses the advantage of the ownership of key technologies, flexible scheduling of production lines, and free allocation of product capacity. Therefore, the risks associated with factory expansion should be limited.

9、Risks and countermeasures of centralized purchases or sales

Please refer to Section V.ii.(iv), "Customers with over 10% of gross purchase or gross sales in any year of the last 2 years", of this report. In 2022, the largest supplier accounted for 11% of the Company's total annual purchases, and the purchased item was steel. The purchase ratio was higher because the Company procured a larger quantity of steel in advance from Supplier A to ensure a continuous supply of steel facing the impact of the Russia-Ukraine conflict and the US-China trade war. In the 2021 fiscal year, no supplier accounted for more than 10% of the Company's purchases, indicating no concentration of procurement. The largest sales customer in 2022 and 2021 accounted for 15.2% and 13.1% of the total net sales for the respective years. The higher sales ratio of Customer A was due to its business with multiple end customers in the semiconductor industry; as the demand for the semiconductor industry continued to rise, orders increased for Customer A. Customer B's end customers were mainly large 5G and mobile phone enterprises. In summary, the end customers of Customer A and Customer B are from various industries, mostly large enterprises in their respective industries. There is no excessive sales concentration on a single customer. The Company closely monitors and understands its business situation and evaluates and adjusts credit conditions timely to respond accordingly. Therefore, the risk should be limited.

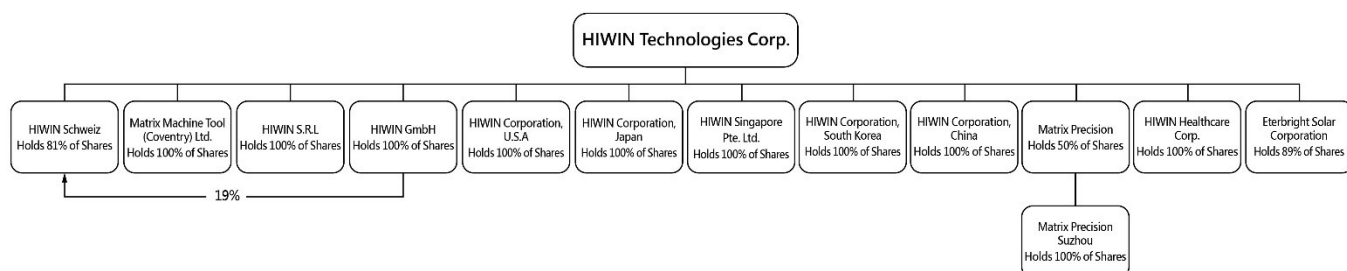
- 10、The impact, risks, and countermeasures regarding significant transfers or changes in share ownership by directors or major shareholders holding over 10% of the company shares
In the recent year and as of the publication date of the annual report, there have been no significant transfers or changes in share ownership by directors or major shareholders of HIWIN.
- 11、The impact, risks, and countermeasures regarding the change of management right on the Company
HIWIN's management right hasn't changed in the last year and as of the publication date of the annual report.
- 12、Litigation & Non-litigation
There have been no litigation and non-litigation cases as of the publication date of the annual report.
- 13、Other important risks and countermeasures
There have been no such risks in the last year and as of the publication date of the annual report.

vii. Other Important Matters: None.

VIII. Special Disclosures

i. Information on Affiliates

(i) Organizational Structure of Affiliates



Note: Enterprise Relationship Chart as of March 31th, 2023.

(ii) Basic Information of Affiliates

Company Name	Establish	Address	Paid-in Capital (Note)	Major Business or
HIWIN Corporation, U.S.A	19920915	12455 Jim Dhamer Drive, Huntley, IL 60142, U.S.A.	USD10,740,000	Manufacturing and sales of precision drive parts, ball screws, linear guideways and industrial robots
HIWIN GmbH, Germany	19930401	Brücklesbünd 2 D-77654 Offenburg, Germany	EUR5,635,000	Manufacturing and sale of precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, Japan	19991101	7-4-4, Ibukidai Higashimachi, Kobe Shi, Nishi Ku, 651-2242 Hyogo Pref, Japan	JPY440,000,000	Manufacturing and sale of precision drive parts, ball screws, linear guideways and industrial robots
Eterbright Solar Corporation	20101201	No. 442-1, Zhonghua Rd., Toufen City, Miaoli County	NTD5,661,514,690	Research, development, design, manufacture and sales of solar cells, electronic components, power generation, power transmission, and power distribution products, etc.
HIWIN S.R.L. Italy	20130329	Via Pitagora 4, 20861 Brugherio (MB)	EUR8,500,000	Manufacturing and sales of precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Singapore Pte. Ltd.	20130807	Block 203 Woodlands Avenue 9 #06-51 Woodlands Spectrum II Singapore 738956	SGD5,000,000	Manufacturing and sales of precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, Korea	20131008	3F,228-92, Saneop-ro, 155 beon-gil, Gwonseon-gu, Suwon-si, Gyeonggi-do, Republic of Korea	KRW8,800,000,000	Manufacturing and sales of precision drive parts, ball screws, linear guideways and industrial robots
HIWIN Corporation, China	20140408	No. 2, Xiazhuang Road, Suzhou Industrial Park	CNY300,000,000	Manufacturing and sales of precision drive parts, ball screws, linear guideways and industrial robots

Company Name	Establish	Address	Paid-in Capital (Note)	Major Business or
HIWIN Healthcare Corp.	20150421	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD100,000	Sales of medical robots
Matrix Precision Co., Ltd.	19940502	No. 1-9, Lixing 1st Road, Hsinchu Science Park, Hsinchu City	NTD684,525,000	Development, design, manufacturing and sales of high precision gear cutter and gear lapping machine tool.
Suzhou Matrix Precision Machinery Co., Ltd.	20190522	No. 2, Xiazhuang Road, Suzhou Industrial Park	CNY2,000,000	Sales of precision gear cutters and machine tools.
Matrix Machine Tool (Coventry) Ltd.	20031021	Herald Avenue, Coventry Business Park CV5 6UB United Kingdom	GBP6,449,500	Design, manufacture and sales of thread forming machines.
HIWIN (Schweiz) GmbH	19990707	Eichwiesstrasse 20, 8645 Jona, Switzerland	CHF300,000	Manufacturing and sales of precision drive parts, ball screws, linear guideways and industrial robots

Note: The base date of paid-in capital is March 31th, 2023. Unit: "Dollar" in each currency

(iii) Information of the same shareholders of affiliates deemed to be controlling corporates and subsidiary corporates: None.

(vi) The industries covered by business of affiliates. If the businesses of affiliates are connected, state the division of work:

The industries covered by businesses of HIWIN's affiliates mainly include the products manufacturing services for drive control and system technology, the gear tools machine industry, and the solar photovoltaic industry. Overall, the affiliates create maximum comprehensive benefits through mutual technology, capacity, marketing, and service support and provide customers with the "Global Innovative Value-Added Service" to ensure HIWIN's leading position in the global market.

(v) Information of directors, supervisors and general managers of affiliates

Unit: Share; %

Company Name	Title	Name or representative	Shares held	Shareholding ratio
HIWIN Corporation, U.S.A.	Chairman	Eddie W.H. Chuo	-	-
	Director	Hsiu-Yu Chuo, Enid H.C. Tsai., Yan-Qi Peng	-	-
	Director/General Manager	Shih-Rong Chiu	-	-
HIWIN GmbH, Germany	Chairman	Eric, Y. T. Chuo	-	-
	Director/General Manager	Werner Mäurer	-	-
HIWIN Corporation, Japan	Chairman	Enid H.C. Tsai.	-	-
	Vice Chairman	Yu-Zhi Lin	-	-
	Director	Eddie W.H. Chuo, Hsiu-Yu Chuo, Shuda Nakata	-	-
	Supervisor	Ke-Huang Liao	-	-
Eterbright Solar Corporation	Chairman	Eric, Y. T. Chuo	9,167,725	2%
	Deputy Chairman	Eddie W.H. Chuo	1,308,447	0%
	Director	HIWIN Technologies Corp. Representative: Yue-Qin Wu	505,360,592	89%
	Director	Shun-Chin Lee	2,225,766	0%
	Director	Hsiu-Yu Chuo	808,467	0%
	Director/General Manager	Ming-Yao Lin	89,437	0%
	Supervisor	Ke-Huang Liao	66,377	0%
HIWIN S.R.L. Italy	Director	Eddie W.H. Chuo, Ke-Huang Liao	-	-
	Director/General Manager	Chuang-Bao Yang	-	-

Company Name	Title	Name or representative	Shares held	Shareholding ratio
HIWIN Singapore Pte. Ltd.	Director	Eddie W.H. Chuo, Hsiu-Yu Chuo, Kai-Sheng You	-	-
	Director/General Manager	Yong-Hsiang Chen	-	-
HIWIN Corporation, Korea	Director	Eddie W.H. Chuo, Enid H.C. Tsai., Kai-Sheng You	-	-
	Supervisor	Guan-Ying Wu	-	-
	General Manager	Rong-Bang Kao	-	-
HIWIN Corporation, China	Chairman	Yan-Qi Peng	-	-
	Director	Enid H.C. Tsai., Kai-Sheng You	-	-
	Supervisor	Yue-Qin Wu	-	-
	General Manager	Hong-Ming Chen	-	-
HIWIN Healthcare Corp.	Chairman	Enid H.C. Tsai.	-	-
Matrix Precision Co., Ltd.	Chairman/General Manager	Eddie W.H. Chuo	1,311,107	2%
	Deputy Chairman/Co-General Manager	Hsiu-Yu Chuo	3,377,986	5%
	Director	HIWIN Technologies Corp. Representative: Yue-Ling Chu	34,294,075	50%
	Director/Co-General Manager	Representative of Hiwin Investments: Eric, Y. T. Chuo	11,877,558	17%
	Director	All Horng Gear Industry Co., Ltd. Representative: Ying-Che Hung	960,164	1%
	Supervisor	Yue-Qin Wu	-	-
	General Manager	Yue-Ling Chu	190,000	0%
Matrix Suzhou	Chairman	Chi-Hsiung Hong	-	-
	Director	Wen-Zhen Chuo, Hong-Ming Chen	-	-
	Supervisor	Ke-Huang Liao	-	-
	General Manager	Zhi-Hong Wang	-	-
Matrix Machine Tool (Coventry) Ltd.	Director	Eddie W.H. Chuo, Yue-Ling Chu, Guan-Ying Wu, Nelson Chiow, Paul Farndon	-	-
	General Manager	Yue-Ling Chu	-	-
HIWIN (Schweiz) GmbH	General Manager	Mei-Li Liu	-	-

Note: Data as of March 31, 2023.

(vi) Business status of affiliates

								Unit: kNTD
Company Name	Paid-in Capital	Total assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit (Loss)	Profit (Loss) of the Current Period	Earnings per share (NTD)
HIWIN Corporation, U.S.A.	303,495	1,459,191	399,666	1,059,525	1,438,834	199,086	141,144	65.71
HIWIN GmbH, Germany	224,494	3,716,945	1,119,083	2,597,862	4,135,261	389,543	283,750	Note 1
HIWIN Corporation, Japan	121,676	2,559,644	2,487,578	72,066	1,307,180	(20,426)	(42,207)	(678.57)
Eterbright Solar Corporation	5,661,515	1,273,815	152,273	1,121,542	26,760	(323,501)	(346,419)	(0.61)
HIWIN S.R.L. Italy	289,170	1,322,803	980,023	342,780	1,490,195	174,734	130,600	Note 1
HIWIN Singapore Pte. Ltd.	117,550	164,420	91,343	73,077	375,887	28,205	25,736	5.15
HIWIN Corporation, Korea	242,707	302,117	368,515	(66,398)	503,809	(18,455)	(40,037)	(22.75)
HIWIN Corporation, China	1,498,040	5,057,668	2,541,553	2,516,115	5,888,258	438,904	304,570	Note 1
HIWIN Healthcare Corp.	3,108	2,880	44	2,836	12,987	(52)	(32)	(0.32)
Matrix Precision Co., Ltd.	684,525	1,877,829	1,673,940	203,889	293,869	(197,019)	(221,645)	(3.24)
Suzhou Matrix Precision Machinery Co., Ltd.	9,076	79,588	76,767	2,821	103,621	(3,273)	(3,595)	Note 1
Matrix Machine Tool (Coventry) Ltd.	253,876	356,882	104,588	252,294	14,076	(63,781)	(67,398)	(10.45)
HIWIN (Schweiz) GmbH	9,414	467,387	89,346	378,041	451,274	69,909	51,404	171.35

Note 1: No shares issued.

Note 2: If the affiliates are foreign companies, the figures are converted into NTD at the rate on the report date:

	Closing Rate	Average Rate
1 USD	NT\$ 30.710	NT\$ 29.805
1 EUR	NT\$ 32.72	NT\$ 31.36
1 JPY	NT\$ 0.2324	NT\$ 0.2275
1 SGD	NT\$ 22.88	NT\$ 21.62
1 KRW	NT\$ 0.02457	NT\$ 0.02330
1 CNY	NT\$ 4.408	NT\$ 4.422
1 GBP	NT\$ 37.09	NT\$ 36.80
1 CHF	NT\$ 33.21	NT\$ 31.20

Note 3: The base date of the financial information of Affiliates' business status is December 31, 2022.

(vii) Consolidated financial statements of affiliates: Please refer to Appendix i.

(viii) Related Reports: None.

- ii. Private placement of securities during the past year and up to the annual report publication date: None.**
- iii. Holding or disposal of stocks of the company by subsidiaries in the past year and up to the annual report publication date: None.**
- iv. Other Necessary Supplemental Information: None.**
- v. Events having significant impacts on shareholders' equity or security price according to Article 36, Paragraph 2, Clause 2 of securities exchange act in the past year and up to the issuance of annual report: None.**

Appendix i : Financial Statement and Auditor’s Report Prepared by a CPA for the Most Recent Fiscal Year

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matters of the Group’s consolidated financial statements for the year ended December 31, 2022 are described as follows:

Revenue Recognition

The sales of the Group mainly rely on distribution channels. Revenue from the sale of goods is recognized when the Group satisfied the performance obligations. There is a risk that revenue might be recognized even when specific conditions have not been satisfied. Because of the risk of misstatement and materiality of sales revenue generated by distribution channels, we identified the recognition of sales revenue as a key audit matter. The accounting policy on sales revenue recognition is disclosed in Note 4 to the consolidated financial statements. Our key audit procedures performed in respect of revenue recognition included the following:

1. We understood the internal controls and evaluated the design and implementation of key controls, and tested the operating effectiveness of relevant controls over order acceptance and shipping procedures; we selected sample sales transactions of distribution channels and verified that order receipts and the timing of revenue recognition were in accordance with the terms of transaction.

2. We validated the terms of transactions against sales contracts and orders from major distributors to ensure the consistency between terms of transaction and the timing of revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

As of December 31, 2022, the carrying amount of inventory was \$8,937,842 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the consolidated financial statements.

Our key audit procedures performed in respect of the valuation and impairment assessment included the following:

1. We understood and assessed the related internal controls and procedures on the valuation of inventory.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to the aging of inventories and the level of inventory consumed and sold.
3. We tested the net realizable value of sample inventory items, and checked the accuracy of the net realizable value.
4. We compared the net realizable value of sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.
5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

Other Matter

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

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit 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 Li-Tung Wu and Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

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

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,457,770	14	\$ 5,433,053	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	228	-	2,895	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	705,055	2	1,068,266	2
Notes receivable from related parties, net (Notes 4, 9 and 26)	937	-	1,263	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	2,634,214	5	3,181,354	6
Trade receivables from related parties, net (Notes 4, 9 and 26)	16,773	-	18,824	-
Inventories (Notes 4, 5 and 10)	8,937,842	17	8,322,994	16
Other current assets (Notes 6, 26 and 27)	565,981	1	524,723	1
Total current assets	20,318,800	39	18,553,372	36
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	846,591	2	1,466,280	3
Financial assets at amortized cost - non-current (Note 4)	2,873	-	2,890	-
Investments accounted for using the equity method (Notes 4 and 12)	327,423	1	252,746	-
Property, plant and equipment (Notes 4, 13, 26 and 27)	27,678,842	53	27,354,252	54
Right-of-use assets (Notes 4, 14, 26 and 27)	676,501	1	671,119	1
Goodwill (Note 4)	256,163	-	256,163	1
Deferred tax assets (Notes 4 and 21)	577,194	1	663,462	1
Prepayments for machinery and equipment (Note 15)	1,094,142	2	1,450,528	3
Refundable deposits (Note 4)	103,594	-	102,135	-
Other non-current assets (Notes 4 and 9)	257,543	1	258,872	1
Total non-current assets	31,820,866	61	32,478,447	64
TOTAL	\$ 52,139,666	100	\$ 51,031,819	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 27)	\$ 1,856,941	4	\$ 4,952,785	10
Short-term bills payable (Note 16)	-	-	89,923	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4,757	-	2,580	-
Contract liabilities - current (Note 4)	154,384	-	172,745	-
Notes payable	2,591	-	1,665	-
Trade payables to unrelated parties	2,714,102	5	3,903,043	8
Trade payables to related parties (Note 26)	280,445	1	231,245	-
Other payables (Notes 17 and 26)	2,255,990	4	2,182,726	4
Current tax liabilities (Notes 4 and 21)	1,102,488	2	1,301,291	3
Lease liabilities - current (Notes 4, 14 and 26)	157,542	-	117,536	-
Current portion of long-term borrowings (Notes 16 and 26)	794,019	2	807,197	2
Other current liabilities (Note 4)	86,958	-	89,805	-
Total current liabilities	9,410,217	18	13,852,541	27
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 27)	6,309,496	12	5,378,148	11
Deferred tax liabilities (Notes 4 and 21)	854,128	2	681,423	1
Lease liabilities - non-current (Notes 4, 14 and 26)	375,256	1	408,872	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	191,481	-	230,051	-
Other non-current liabilities (Note 16)	34,421	-	13,669	-
Total non-current liabilities	7,764,782	15	6,712,163	13
Total liabilities	17,174,999	33	20,564,704	40
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	3,537,923	7	3,407,923	7
Capital surplus	7,479,735	14	5,516,470	11
Retained earnings				
Legal reserve	3,390,134	7	3,071,586	6
Unappropriated earnings	20,069,127	38	17,609,166	34
Other equity	274,411	1	675,140	1
Total equity attributable to owners of the Corporation	34,751,330	67	30,280,285	59
NON-CONTROLLING INTERESTS	213,337	-	186,830	1
Total equity	34,964,667	67	30,467,115	60
TOTAL	\$ 52,139,666	100	\$ 51,031,819	100

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	\$ 29,314,648	100	\$ 27,265,162	100
COST OF GOODS SOLD (Notes 10, 20 and 26)	<u>18,599,298</u>	<u>63</u>	<u>17,449,754</u>	<u>64</u>
GROSS PROFIT	<u>10,715,350</u>	<u>37</u>	<u>9,815,408</u>	<u>36</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	1,854,045	6	1,643,052	6
General and administrative expenses	2,159,649	8	1,998,871	7
Research and development expenses	<u>1,129,207</u>	<u>4</u>	<u>1,058,892</u>	<u>4</u>
Total operating expenses	<u>5,142,901</u>	<u>18</u>	<u>4,700,815</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>5,572,449</u>	<u>19</u>	<u>5,114,593</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidized revenue (Note 4)	48,654	-	103,224	-
Finance costs (Notes 4, 20 and 26)	(186,879)	(1)	(169,159)	-
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	79,727	-	41,618	-
Interest income (Note 4)	53,909	-	13,406	-
Other income (Notes 4 and 26)	103,486	-	104,721	1
Other expenses (Note 26)	(10,403)	-	(4,101)	-
Loss on disposal of property, plant and equipment (Note 4)	(123,430)	-	(44,474)	-
Net foreign exchange gain (loss) (Notes 4 and 29)	301,085	1	(180,516)	(1)
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	(20,648)	-	(4,492)	-
Impairment loss (Notes 4 and 13)	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>245,501</u>	<u>-</u>	<u>(639,773)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	5,817,950	19	4,474,820	17
INCOME TAX EXPENSE (Notes 4 and 21)	<u>1,506,215</u>	<u>5</u>	<u>1,320,127</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>4,311,735</u>	<u>14</u>	<u>3,154,693</u>	<u>12</u>

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 29,718	-	\$ 5,149	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(619,689)	(2)	541,302	2
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	(3,924)	-	(1,646)	-
	<u>(593,895)</u>	<u>(2)</u>	<u>544,805</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	273,739	1	(328,919)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	(54,727)	-	65,558	-
	<u>219,012</u>	<u>1</u>	<u>(263,361)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(374,883)</u>	<u>(1)</u>	<u>281,444</u>	<u>1</u>
	<u>\$ 3,936,852</u>	<u>13</u>	<u>\$ 3,436,137</u>	<u>13</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 4,479,381	15	\$ 3,532,230	13
Non-controlling interests	(167,646)	(1)	(377,537)	(1)
	<u>\$ 4,311,735</u>	<u>14</u>	<u>\$ 3,154,693</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 4,102,206	14	\$ 3,814,946	14
Non-controlling interests	(165,354)	(1)	(378,809)	(1)
	<u>\$ 3,936,852</u>	<u>13</u>	<u>\$ 3,436,137</u>	<u>13</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 12.98</u>		<u>\$ 10.36</u>	
Diluted	<u>\$ 12.89</u>		<u>\$ 10.33</u>	

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 19 and 23)								
	Ordinary Shares	Capital Surplus	Retained Earnings		Other Equity		Total	Non-controlling Interests (Notes 11 and 23)	Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2021	\$ 3,308,663	\$ 5,600,568	\$ 2,892,584	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128	\$ (172,734)	\$ 27,389,394
Appropriation of 2020 earnings									
Legal reserve	-	-	179,002	(179,002)	-	-	-	-	-
Cash dividends - NT\$2.0 per share	-	-	-	(661,733)	-	-	(661,733)	-	(661,733)
Share dividends - NT\$0.3 per share	99,260	-	-	(99,260)	-	-	-	-	-
	99,260	-	179,002	(939,995)	-	-	(661,733)	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	(84,098)	-	(350,958)	-	-	(435,056)	435,056	-
Changes in non-controlling interests	-	-	-	-	-	-	-	303,317	303,317
Net profit (loss) for the year ended December 31, 2021	-	-	-	3,532,230	-	-	3,532,230	(377,537)	3,154,693
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	4,212	(262,798)	541,302	282,716	(1,272)	281,444
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	3,536,442	(262,798)	541,302	3,814,946	(378,809)	3,436,137
BALANCE AT DECEMBER 31, 2021	3,407,923	5,516,470	3,071,586	17,609,166	(599,662)	1,274,802	30,280,285	186,830	30,467,115
Appropriation of 2021 earnings									
Legal reserve	-	-	318,548	(318,548)	-	-	-	-	-
Cash dividends - NT\$4.5 per share	-	-	-	(1,533,565)	-	-	(1,533,565)	-	(1,533,565)
	-	-	318,548	(1,852,113)	-	-	(1,533,565)	-	(1,533,565)
Issuance of ordinary shares for cash	130,000	1,945,000	-	-	-	-	2,075,000	-	2,075,000
Share-based payment arrangements	-	18,265	-	-	-	-	18,265	-	18,265
Changes in non-controlling interests	-	-	-	-	-	-	-	1,000	1,000
Changes in percentage of ownership interests in subsidiaries	-	-	-	(190,861)	-	-	(190,861)	190,861	-
Net profit (loss) for the year ended December 31, 2022	-	-	-	4,479,381	-	-	4,479,381	(167,646)	4,311,735
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	23,554	218,960	(619,689)	(377,175)	2,292	(374,883)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	4,502,935	218,960	(619,689)	4,102,206	(165,354)	3,936,852
BALANCE AT DECEMBER 31, 2022	\$ 3,537,923	\$ 7,479,735	\$ 3,390,134	\$ 20,069,127	\$ (380,702)	\$ 655,113	\$ 34,751,330	\$ 213,337	\$ 34,964,667

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

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,817,950	\$ 4,474,820
Adjustments for:		
Depreciation expenses	2,137,424	2,186,546
Amortization expenses	64,146	49,652
Expected credit loss recognized (reversed) on trade receivables	(5,640)	3,882
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	4,529	(315)
Finance costs	186,879	169,159
Interest income	(53,909)	(13,406)
Dividend income	(9,531)	(31,499)
Share-based compensation	18,265	-
Share of profit of associates accounted for using the equity method	(79,727)	(41,618)
Loss on disposal of property, plant and equipment	123,430	44,474
Impairment loss recognized on non-financial assets	73,859	588,940
Unrealized foreign currency exchange loss (gain), net	(194)	27,703
Others	(2,036)	(731)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	315	(7,199)
Notes receivable	376,666	116,105
Trade receivables	603,696	1,803,353
Inventories	(255,836)	(2,286,086)
Other current assets	(39,813)	(72,223)
Contract liabilities	(18,361)	70,616
Notes payable	926	(7,097)
Trade payables	(1,242,570)	1,083,993
Other payables	34,185	659,995
Other current liabilities	(6,220)	(12,890)
Net defined benefit liabilities	(11,666)	(55,164)
Cash generated from operations	<u>7,716,767</u>	<u>8,751,010</u>
Interest received	53,791	13,388
Dividend received	9,531	31,499
Interest paid	(194,842)	(180,283)
Income tax paid	<u>(1,507,707)</u>	<u>(455,282)</u>
Net cash generated from operating activities	<u>6,077,540</u>	<u>8,160,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of financial assets at fair value through other comprehensive income	-	19,256
Payments for property, plant and equipment	(1,605,045)	(1,493,571)
Proceeds from disposal of property, plant and equipment	23,693	5,358
Increase in refundable deposits	(1,271)	(41,589)
Increase in other non-current assets	(51,832)	(113,764)

(Continued)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

	2022	2021
Increase in prepayments for machinery and equipment	\$ (572,089)	\$ (764,316)
Dividends received from associates	<u>3,309</u>	<u>4,046</u>
Net cash used in investing activities	<u>(2,203,235)</u>	<u>(2,384,580)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(3,063,211)	(457,552)
Proceeds from (repayments of) short-term bills payable	(89,923)	69,987
Proceeds from long-term borrowings	1,653,720	546,898
Repayments of long-term borrowings	(807,037)	(2,482,903)
Repayment of the principal portion of lease liabilities	(178,223)	(159,506)
Increase in other non-current liabilities	20,742	3,599
Dividends paid to owners of the Corporation	(1,533,565)	(661,733)
Proceeds from issuance of ordinary shares	2,075,000	-
Changes in non-controlling interests	<u>1,000</u>	<u>303,317</u>
Net cash used in financing activities	<u>(1,921,497)</u>	<u>(2,837,893)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>71,909</u>	<u>(108,458)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,024,717	2,829,401
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,433,053</u>	<u>2,603,652</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,457,770</u>	<u>\$ 5,433,053</u>

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Hiwin Technologies Corporation (the “Corporation”) was incorporated on October 11, 1989. It manufactures and sells ballscrews, linear guideways, industrial robots, aerospace automation equipment parts, computer numerical control (CNC) milling machines and medical equipment.

The Corporation obtained approval from the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) to become a public company on April 16, 1997. The shares of the Corporation have been listed on the Taiwan Stock Exchange (TWSE) since June 26, 2009.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on February 24, 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 FSC.

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the “Group”).

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
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 will be 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 were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - 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 IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 11, Tables 9 and 10 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

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

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

value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

f. Foreign currencies

In preparing the financial statements of the entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries or associates in other countries that use currencies which are different from the Corporation) are translated into the 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. Exchange differences arising are recognized in other comprehensive income and attributed to the owners of the Corporation and non-controlling interests as appropriate.

g. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investment in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

i. Property, plant and equipment

Property, plant and equipment are 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. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling and the cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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.

l. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered any 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and 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.

m. Financial instruments

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

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

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) 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.

i. Financial asset at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL 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. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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, including cash and cash equivalents, notes receivable, trade receivables, and refundable deposits 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 such financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii) 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:

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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 measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into foreign exchange forward to manage its exposure to foreign exchange rate risks.

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. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations to assure that products comply with agree-upon specifications are recognized on the date of sale of the relevant products at the best estimate of the expenditure required to settle the Group's obligation.

o. Revenue recognition

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

For contract where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

p. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by 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 presented on a separate line in the consolidated balance sheets.

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. 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 Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

s. Employee benefits

1) 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 services.

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options; The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

u. Taxation

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

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for 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.

2) Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions on 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 Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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.

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 2,145	\$ 1,735
Checking accounts and demand deposits	6,200,658	5,024,410
Pledged time deposits	300	2,000
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>1,254,967</u>	<u>406,908</u>
	7,458,070	5,435,053
Less: Pledged time deposits (classified as other current assets)	<u>(300)</u>	<u>(2,000)</u>
	<u>\$ 7,457,770</u>	<u>\$ 5,433,053</u>
 <u>Rate of interest per annum (%)</u>		
Cash in bank	0.00-1.25	0.00-0.40
Time deposits (investments with original maturities of 3 months or less)	0.05-4.20	0.59-2.66
Pledged time deposits	1.44	0.82

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets and liabilities mandatorily designated as at fair value through profit or loss (FVTPL) are all generated from its derivative financial products of foreign exchange forward contracts. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Sell	EUR/NTD	2023.1.19-2023.3.31	EUR4,800/NTD153,578
Sell	RMB/NTD	2023.1.17-2023.3.24	CNY40,000/NTD175,395
Sell	USD/NTD	2023.1.19-2023.2.24	USD2,400/NTD73,376
<u>December 31, 2021</u>			
Sell	EUR/NTD	2022.1.18-2022.3.17	EUR7,900/NTD250,120
Sell	RMB/NTD	2022.1.10-2022.3.18	CNY165,000/NTD712,853
Sell	USD/NTD	2022.1.10-2022.3.10	USD3,200/NTD88,873

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	2022	2021
<u>Name of Investee Company</u>		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 660,129	\$ 1,076,401
Domestic unlisted ordinary shares		
Ever Fortune. AI Co., Ltd. (Ever Fortune)	182,812	386,799
Taichung International Country Club	3,650	3,080
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	-	-
	<u>\$ 846,591</u>	<u>\$ 1,466,280</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Corporation's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). The investment in the amount of US\$8,168 thousand was made through Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

In August 2021, the liquidation of Kaland had been approved by Kaland's board of directors and it was liquidated in August 2021 for net proceeds of US\$804 thousand.

Ever Fortune's shares have been listed on the Emerging Stock Market in September 2021.

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 706,028	\$ 1,071,413
Less: Allowance for impairment loss	<u>(36)</u>	<u>(1,884)</u>
	<u>\$ 705,992</u>	<u>\$ 1,069,529</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,664,402	\$ 3,217,068
Less: Allowance for impairment loss	<u>(13,415)</u>	<u>(16,890)</u>
	<u>\$ 2,650,987</u>	<u>\$ 3,200,178</u>

a. Notes receivable

The Group's aging of notes receivable is as follows:

	<u>December 31</u>	
	2022	2021
Not past due	\$ 706,028	\$ 1,071,413
Past due	<u>-</u>	<u>-</u>
	<u>\$ 706,028</u>	<u>\$ 1,071,413</u>

The above aging schedule was based on the past due days.

b. Trade receivables

The Group determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms.

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry

outlooks. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group 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 Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2022</u>					
Gross carrying amount	\$ 2,554,104	\$ 103,958	\$ 1,379	\$ 4,961	\$ 2,664,402
Loss allowance (Lifetime ECL)	<u>(5,648)</u>	<u>(2,476)</u>	<u>(330)</u>	<u>(4,961)</u>	<u>(13,415)</u>
Amortized cost	<u>\$ 2,548,456</u>	<u>\$ 101,482</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 2,650,987</u>
<u>December 31, 2021</u>					
Gross carrying amount	\$ 3,068,646	\$ 133,847	\$ 1,142	\$ 13,433	\$ 3,217,068
Loss allowance (Lifetime ECL)	<u>(2,383)</u>	<u>(1,853)</u>	<u>(520)</u>	<u>(12,134)</u>	<u>(16,890)</u>
Amortized cost	<u>\$ 3,066,263</u>	<u>\$ 131,994</u>	<u>\$ 622</u>	<u>\$ 1,299</u>	<u>\$ 3,200,178</u>

The movements of the loss allowance were as follows (other receivables are classified as other non-current assets):

	For the Year Ended December 31, 2022		
	Notes Receivable	Trade Receivables	Other Receivables
Balance at January 1, 2022	\$ 1,884	\$ 16,890	\$ 27,395
Net remeasurement of loss allowance	(1,848)	(3,792)	-
Foreign exchange gains and losses	<u>-</u>	<u>317</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 36</u>	<u>\$ 13,415</u>	<u>\$ 27,395</u>
Balance at January 1, 2021	\$ 578	\$ 16,832	\$ 27,395
Net remeasurement of loss allowance	1,306	2,576	-
Amounts written off	-	(991)	-
Foreign exchange gains and losses	<u>-</u>	<u>(1,527)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 1,884</u>	<u>\$ 16,890</u>	<u>\$ 27,395</u>

10. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 4,172	\$ 2,962
Finished goods	4,092,583	2,249,676
Work in process	1,396,857	2,039,018
Raw materials and supplies	3,084,782	2,664,833
Inventory in transit	<u>359,448</u>	<u>1,366,505</u>
	<u>\$ 8,937,842</u>	<u>\$ 8,322,994</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$18,599,298 thousand and \$17,449,754 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$73,859 thousand and \$88,940 thousand, respectively, and unallocated fixed overhead of \$405,557 thousand and \$405,216 thousand, respectively.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			2022	2021	
The Corporation	Hiwin Corporation, U.S.A. ("Hiwin USA")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Hiwin Corporation, Japan ("Hiwin Japan")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Hiwin GmbH ("Hiwin Germany")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Eterbright Solar Corporation ("Eterbright") (Note 23)	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	89	85	
	Hiwin Singapore Pte. Ltd. ("Hiwin Singapore")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Hiwin Corporation Co., Ltd. ("Hiwin Korea")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Hiwin Technologies (China) Corporation ("Hiwin China")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Matrix Precision Co., Ltd. ("Matrix Precision") (Note 23)	Research, development, production, manufacture and sale of gear cutting tools and machinery	50	50	
	Hiwin Healthcare Corp.	Sale of medical robots	100	100	
	Hiwin S.R.L. ("Hiwin Italy")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	100	100	
	Matrix Machine Tool (Coventry) Limited (Matrix)	Design, integrated application, research, development, manufacture and sale of thread forming machinery	100	100	
	Hiwin (Schweiz) GmbH ("Hiwin Schweiz")	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	81	81	
	Hiwin Germany	Hiwin Schweiz	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	19	19
	Matrix Precision	Suzhou Matrix Precision Machinery Co., Ltd. ("Suzhou Matrix")	Sale of gear cutting tools and machinery	100	100

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2022	2021
Eterbright	11%	15%
Matrix Precision	50%	50%

See Tables 9 and 10 for the information on places of incorporation and principal places of business.

Name of Subsidiary	Loss and Comprehensive Loss Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Eterbright	\$ (51,681)	\$ (246,577)	\$ 120,453	\$ (19,727)
Matrix Precision	<u>(113,673)</u>	<u>(132,232)</u>	<u>92,884</u>	<u>206,557</u>
	<u>\$ (165,354)</u>	<u>\$ (378,809)</u>	<u>\$ 213,337</u>	<u>\$ 186,830</u>

The summarized financial information below represents amounts before intragroup eliminations.

Eterbright

	December 31	
	2022	2021
Current assets	\$ 855,074	\$ 191,166
Non-current assets	418,741	501,690
Current liabilities	(98,379)	(761,409)
Non-current liabilities	<u>(53,894)</u>	<u>(63,487)</u>
Equity	<u>\$ 1,121,542</u>	<u>\$ (132,040)</u>
Equity attributable to:		
Owners of Eterbright	\$ 1,001,089	\$ (112,313)
Non-controlling interests of Eterbright	<u>120,453</u>	<u>(19,727)</u>
	<u>\$ 1,121,542</u>	<u>\$ (132,040)</u>

	For the Year Ended December 31	
	2022	2021
Revenue	\$ <u>26,760</u>	\$ <u>27,406</u>
Net loss for the year	\$ (346,419)	\$ (1,030,113)
Other comprehensive income (loss) for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (346,419)</u>	<u>\$ (1,030,113)</u>
Loss and total comprehensive loss attributable to:		
Owners of Eterbright	\$ (294,738)	\$ (783,536)
Non-controlling interests of Eterbright	<u>(51,681)</u>	<u>(246,577)</u>
	<u>\$ (346,419)</u>	<u>\$ (1,030,113)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (254,524)	\$ (313,635)
Investing activities	(4,077)	(170,949)
Financing activities	<u>920,359</u>	<u>463,309</u>
Net cash inflow (outflow)	<u>\$ 661,758</u>	<u>\$ (21,275)</u>

Matrix Precision and Matrix Precision's subsidiaries

	December 31	
	2022	2021
Current assets	\$ 548,092	\$ 542,348
Non-current assets	1,354,236	1,357,877
Current liabilities	(742,666)	(558,590)
Non-current liabilities	<u>(955,772)</u>	<u>(920,694)</u>
Equity	<u>\$ 203,890</u>	<u>\$ 420,941</u>
Equity attributable to:		
Owners of Matrix Precision	\$ 102,149	\$ 210,891
Non-controlling interests of Matrix Precision	<u>101,741</u>	<u>210,050</u>
	<u>\$ 203,890</u>	<u>\$ 420,941</u>

	For the Year Ended December 31	
	2022	2021
Revenue	\$ <u>316,034</u>	\$ <u>319,954</u>
Net loss for the year	\$ (221,645)	\$ (262,398)
Other comprehensive income (loss) for the year	<u>4,593</u>	<u>(2,549)</u>
Total comprehensive loss for the year	<u>\$ (217,052)</u>	<u>\$ (264,947)</u>

	For the Year Ended December 31	
	2022	2021
Loss attributable to:		
Owners of Matrix Precision	\$ (111,044)	\$ (131,492)
Non-controlling interests of Matrix Precision	<u>(110,601)</u>	<u>(130,906)</u>
	<u>\$ (221,645)</u>	<u>\$ (262,398)</u>
Total comprehensive income (loss) attributable to:		
Owners of Matrix Precision	\$ 2,301	\$ (1,277)
Non-controlling interests of Matrix Precision	<u>2,292</u>	<u>(1,272)</u>
	<u>\$ 4,593</u>	<u>\$ (2,549)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (176,087)	\$ (136,297)
Investing activities	(23,309)	(31,767)
Financing activities	<u>252,531</u>	<u>178,790</u>
Net cash inflow	<u>\$ 53,135</u>	<u>\$ 10,726</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 327,423</u>	<u>\$ 252,746</u>
	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Profit for the year	\$ 79,727	\$ 41,618
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 79,727</u>	<u>\$ 41,618</u>

Except for Hiwin S.R.O., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity-method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of Hiwin S.R.O. that have not been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 5,424,124	\$ 8,220	\$ -	\$ -	\$ (3,778)	\$ 5,428,566
Buildings and improvements	14,019,116	185,776	(216,959)	1,767,138	88,480	15,843,551
Machinery and equipment	15,107,593	256,549	(684,494)	932,247	44,529	15,656,424
Transportation equipment	240,647	23,871	(9,377)	3,226	8,357	266,724
Leasehold improvements	121,948	1,160	(7,659)	-	688	116,137
Miscellaneous equipment	2,676,669	151,346	(180,278)	165,316	20,547	2,833,600
Construction in progress	1,577,851	1,007,109	-	(1,935,878)	(17,693)	631,389
	<u>39,167,948</u>	<u>\$ 1,634,031</u>	<u>\$ (1,098,767)</u>	<u>\$ 932,049</u>	<u>\$ 141,130</u>	<u>40,776,391</u>
<u>Accumulated depreciation and impairment</u>						
Buildings and improvements	2,329,595	\$ 388,798	\$ (102,192)	\$ -	\$ 17,779	2,633,980
Machinery and equipment	7,403,997	1,524,289	(668,667)	-	22,593	8,282,212
Transportation equipment	119,973	36,710	(9,119)	-	4,932	152,496
Leasehold improvements	110,650	3,598	(7,396)	-	573	107,425
Miscellaneous equipment	1,849,481	222,324	(164,270)	-	13,901	1,921,436
	<u>11,813,696</u>	<u>\$ 2,175,719</u>	<u>\$ (951,644)</u>	<u>\$ -</u>	<u>\$ 59,778</u>	<u>13,097,549</u>
	<u>\$ 27,354,252</u>					<u>\$ 27,678,842</u>
	For the Year Ended December 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 5,516,026	\$ -	\$ -	\$ -	\$ (91,902)	\$ 5,424,124
Buildings and improvements	13,981,515	25,236	(92)	115,284	(102,827)	14,019,116
Machinery and equipment	15,143,381	235,079	(1,231,197)	1,025,702	(65,372)	15,107,593
Transportation equipment	218,095	39,573	(30,759)	30,010	(16,272)	240,647
Leasehold improvements	118,059	5,711	(6,229)	10,985	(6,578)	121,948
Miscellaneous equipment	2,847,657	119,569	(274,035)	12,103	(28,625)	2,676,669
Construction in progress	710,843	1,031,474	-	(114,465)	(50,001)	1,577,851
	<u>38,535,576</u>	<u>\$ 1,456,642</u>	<u>\$ (1,542,312)</u>	<u>\$ 1,079,619</u>	<u>\$ (361,577)</u>	<u>39,167,948</u>
<u>Accumulated depreciation and impairment</u>						
Buildings and improvements	2,029,881	\$ 339,621	\$ (92)	\$ (10,984)	\$ (28,831)	2,329,595
Machinery and equipment	6,605,652	2,019,117	(1,188,682)	271	(32,361)	7,403,997
Transportation equipment	125,607	34,237	(30,460)	6	(9,417)	119,973
Leasehold improvements	107,618	5,014	(6,229)	9,604	(5,357)	110,650
Miscellaneous equipment	1,802,291	332,456	(267,017)	769	(19,018)	1,849,481
	<u>10,671,049</u>	<u>\$ 2,730,445</u>	<u>\$ (1,492,480)</u>	<u>\$ (334)</u>	<u>\$ (94,984)</u>	<u>11,813,696</u>
	<u>\$ 27,864,527</u>					<u>\$ 27,354,252</u>

As a result of the declining selling price of the products of Eterbright due to strong competition, the estimated future cash flows expected from the related machinery and equipment decreased. Eterbright carried out a review of the recoverable amount of the related machinery and equipment and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$500,000 thousand in the year ended December 31, 2021. Eterbright determined the recoverable amount of the relevant machinery and equipment on the basis of their value in use. The discount rate used in measuring the value in use was 11.55% per annum.

The above impairment loss has been included under the impairment loss in the consolidated statements of comprehensive income.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	10-55 years
Electrical power equipment	5-35 years
Engineering system	5-55 years
Machinery and equipment	
Machinery equipment	3-20 years
Inspection equipment	3-20 years
Transportation equipment	2-10 years
Leasehold improvements	2-17 years
Miscellaneous equipment	1-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 292,211	\$ 310,418
Buildings	365,901	338,537
Transportation equipment	17,916	21,452
Miscellaneous equipment	<u>473</u>	<u>712</u>
	<u>\$ 676,501</u>	<u>\$ 671,119</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 193,934</u>	<u>\$ 132,061</u>
Depreciation charge for right-of-use assets		
Land	\$ 20,262	\$ 20,541
Buildings	157,426	137,350
Transportation equipment	5,530	7,316
Miscellaneous equipment	<u>243</u>	<u>301</u>
	<u>\$ 183,461</u>	<u>\$ 165,508</u>

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 157,542</u>	<u>\$ 117,536</u>
Non-current	<u>\$ 375,256</u>	<u>\$ 408,872</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.45%-1.50%	1.45%-1.50%
Buildings	0.90%-4.90%	0.90%-4.10%
Transportation equipment	1.23%-4.10%	1.23%-4.10%
Miscellaneous equipment	1.48%-4.10%	1.48%-4.10%

c. Material lease-in activities and terms

The Group leases certain transportation and miscellaneous equipment for the use of product manufacturing and marketing with lease terms of 1 to 7 years. These arrangements do not contain renewal or purchase options.

The Group also leases land and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contract for land located in the Republic of China specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 20,272</u>	<u>\$ 17,886</u>
Expenses relating to low-value asset leases	<u>\$ 6,685</u>	<u>\$ 8,719</u>
Total cash outflow for leases	<u>\$ (215,214)</u>	<u>\$ (196,024)</u>

The Group's leases of certain equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

The aging of prepayments for machinery and equipment is as follows:

The Date of Initial Cost Contribution	December 31	
	2022	2021
Within 1 year	\$ 344,212	\$ 572,689
1-2 years	252,110	177,404
2-5 years	389,751	626,081
More than 5 years	<u>108,069</u>	<u>74,354</u>
	<u>\$ 1,094,142</u>	<u>\$ 1,450,528</u>

In order to maintain key manufacturing technologies, reduce product costs and improve automation of the equipment, the Group designed, developed, and assembled the equipment by itself. The abovementioned prepayments for machinery and equipment include both internally-developed and outsourced equipment.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings (Note 27)</u>		
Working capital loans	\$ 1,856,941	\$ 2,998,002
Loans for export sales	-	940,000
Loans for purchasing raw material	-	14,783
	<u>1,856,941</u>	<u>3,952,785</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	-	1,000,000
	<u>\$ 1,856,941</u>	<u>\$ 4,952,785</u>
<u>Rate of interest per annum (%)</u>		
Working capital loans	0.58-4.30	0.23-3.80
Loans for export sales	-	0.61
Loans for purchasing raw material	-	1.56
Line of credit borrowings	-	0.71-0.80

b. Short-term bills payable

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Commercial paper	\$ -	\$ 90,000
Less: Unamortized discount on bills payable	-	(77)
	<u>\$ -</u>	<u>\$ 89,923</u>
Rate of interest per annum (%)	-	1.54

c. Long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings (Note 27)</u>		
Secured loans	\$ 6,799,647	\$ 5,739,668
<u>Unsecured borrowings</u>		
Unsecured loans	<u>303,868</u>	<u>445,677</u>
	7,103,515	6,185,345
Less: Current portion	<u>(794,019)</u>	<u>(807,197)</u>
Long-term borrowings	<u>\$ 6,309,496</u>	<u>\$ 5,378,148</u>

(Continued)

	<u>December 31</u>	
	2022	2021
<u>Rate of interest per annum (%)</u>		
Secured loans	0.93-5.50	0.36-4.90
Unsecured loans	0.90-2.80	0.70-1.65
		(Concluded)

In August 2019, the Corporation received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowings. As of December 31, 2022, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Corporation recognized \$501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

17. OTHER PAYABLES

	<u>December 31</u>	
	2022	2021
Payables for salaries and bonuses	\$ 967,123	\$ 1,061,177
Payables for compensation of employees	381,681	297,411
Payables for remuneration of directors	191,082	149,069
Payables for annual leave	184,429	178,245
Payables for purchases of building and equipment	69,250	40,264
Others	<u>462,425</u>	<u>456,560</u>
	<u>\$ 2,255,990</u>	<u>\$ 2,182,726</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Hiwin Germany, Hiwin Schweiz, Hiwin Japan, Hiwin Singapore, Hiwin Korea, Hiwin China, Matrix and Suzhou Matrix have pension plans which pay for an annuity and certain types of insurance under the local regulations. Hiwin USA has defined contribution pension plans, which are independently administered.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation and Matrix Precision of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation and Matrix Precision contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group 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 Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy. Hiwin Italy also adopted the defined benefit plans in accordance with the local laws.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 404,430	\$ 437,041
Fair value of plan assets	<u>(212,949)</u>	<u>(206,990)</u>
Net defined benefit liabilities	<u>\$ 191,481</u>	<u>\$ 230,051</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ <u>437,041</u>	\$ <u>(206,990)</u>	\$ <u>230,051</u>
Service cost			
Current service cost	12,118	-	12,118
Net interest expense (income)	<u>3,124</u>	<u>(1,471)</u>	<u>1,653</u>
Recognized in profit or loss	<u>15,242</u>	<u>(1,471)</u>	<u>13,771</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(15,475)	(15,475)
Actuarial loss - changes in demographic assumptions	740	-	740
Actuarial gain - changes in financial assumptions	(15,545)	-	(15,545)
Actuarial loss - experience adjustments	<u>562</u>	<u>-</u>	<u>562</u>
Recognized in other comprehensive income	<u>(14,243)</u>	<u>(15,475)</u>	<u>(29,718)</u>
Contributions from the employer	-	(24,643)	(24,643)
Benefits paid	(35,412)	35,412	-
Exchange differences on foreign plans	<u>1,802</u>	<u>218</u>	<u>2,020</u>
Balance at December 31, 2022	<u>\$ 404,430</u>	<u>\$ (212,949)</u>	<u>\$ 191,481</u>
Balance at January 1, 2021	\$ <u>453,499</u>	\$ <u>(158,928)</u>	\$ <u>294,571</u>
Service cost			
Current service cost	11,812	-	11,812
Past service cost	(2,377)	425	(1,952)
Net interest expense (income)	<u>1,567</u>	<u>(570)</u>	<u>997</u>
Recognized in profit or loss	<u>11,002</u>	<u>(145)</u>	<u>10,857</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (2,446)	\$ (2,446)
Actuarial loss - changes in demographic assumptions	1,376	-	1,376
Actuarial gain - changes in financial assumptions	(14,557)	-	(14,557)
Actuarial loss - experience adjustments	<u>10,478</u>	<u>-</u>	<u>10,478</u>
Recognized in other comprehensive income	<u>(2,703)</u>	<u>(2,446)</u>	<u>(5,149)</u>
Contributions from the employer	-	(65,783)	(65,783)
Benefits paid	(20,757)	20,757	-
Exchange differences on foreign plans	<u>(4,000)</u>	<u>(445)</u>	<u>(4,445)</u>
Balance at December 31, 2021	<u>\$ 437,041</u>	<u>\$ (206,990)</u>	<u>\$ 230,051</u> (Concluded)

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

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

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

	December 31	
	2022	2021
Discount rates	1.05%, 1.25%, 3.77%	0.70%, 0.98%
Expected rates of salary increase	2.00%, 3.00%	2.00%, 3.00%

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>The Corporation</u>		
Discount rate		
0.25% increase	\$ (5,114)	\$ (9,043)
0.25% decrease	\$ 5,290	\$ 9,377
Expected rate of salary increase/decrease		
0.25% increase	\$ 5,445	\$ 9,232
0.25% decrease	\$ (4,861)	\$ (8,952)
<u>Matrix Precision</u>		
Discount rate		
0.25% increase	\$ (745)	\$ (1,259)
0.25% decrease	\$ 767	\$ 1,308
Expected rate of salary increase/decrease		
0.25% increase	\$ 779	\$ 1,275
0.25% decrease	\$ (710)	\$ (1,235)
<u>Hiwin Italy</u>		
Discount rate		
0.25% increase	\$ (35,269)	\$ (40,087)
0.25% decrease	\$ 36,430	\$ 41,707

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Expected contributions to the plan for the next year	\$ 25,100	\$ 19,025
Average duration of the defined benefit obligation	11.5 years	10 years
	10 years	10 years
	11 years	13 years

19. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands)	353,792	340,792
Shares issued	\$ 3,537,923	\$ 3,407,923

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On May 10, 2022, the Corporation’s board of directors resolved to issue 13,000 thousand ordinary shares, with a par value of \$10, for a consideration of \$160 per share. On June 24, 2022, the above transaction was approved by the SFB and the subscription base date set August 30, 2022 as determined by the board of directors.

According to the Company Act, the issuance of ordinary shares shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS 2 “Share-based Payment”, the Corporation recognized salary expense and capital surplus amounted to \$18,265 thousand in 2022.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	\$ 7,469,101	\$ 5,509,020
Invalid employee shares	<u>10,634</u>	<u>7,450</u>
	<u>\$ 7,479,735</u>	<u>\$ 5,516,470</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Corporation’s paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Corporation’s profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Corporation’s total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder’s meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders’ meeting. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 20-c.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’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 the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	2021	2020	2021	2020
Legal reserve	\$ 318,548	\$ 179,002		
Cash dividends	1,533,565	661,733	\$ 4.5	\$ 2
Share dividends	-	99,260	-	0.3

The appropriations of cash dividends for 2021 and 2020 had been proposed by the Corporation's board of directors on February 25, 2022 and March 23, 2021 respectively, the other appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings on June 27, 2022 and July 26, 2021, respectively.

The appropriation of earnings for 2022 had been proposed by the Corporation's board of directors on February 24, 2023 was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 431,207	
Cash dividends	1,945,857	\$ 5.5

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in their meeting to be held on May 31, 2023.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest on bank loans	\$ 177,108	\$ 159,246
Interest on lease liabilities	<u>9,771</u>	<u>9,913</u>
	<u>\$ 186,879</u>	<u>\$ 169,159</u>

Information about capitalized interest is as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Capitalized interest	\$ 16,497	\$ 32,618
Capitalization rates (%)	1.10-4.90	0.99-4.90

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Short-term employee benefits	\$ 4,243,788	\$ 2,687,395	\$ 6,931,183
Post-employment benefits			
Defined contribution plans	144,935	84,668	229,603
Defined benefit plans (Note 18)	2,805	10,966	13,771
Other employee benefits	172,775	94,030	266,805
Depreciation expenses	1,790,297	347,127	2,137,424
Amortization expenses	23,036	41,110	64,146
<u>For the Year Ended December 31, 2021</u>			
Short-term employee benefits	4,477,129	2,444,745	6,921,874
Post-employment benefits			
Defined contribution plans	140,638	73,989	214,627
Defined benefit plans (Note 18)	4,465	6,392	10,857
Other employee benefits	159,625	70,063	229,688
Depreciation expenses	1,817,749	368,797	2,186,546
Amortization expenses	21,753	27,899	49,652

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Corporation's board of directors on February 24, 2023 and February 25, 2022, respectively, were as follows:

Cash	For the Year Ended December 31			
	2022		2021	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	6.2%	\$ 381,681	6.0%	\$ 297,411
Remuneration of directors	3.1%	190,841	3.0%	148,706

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

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

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

21. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 1,232,906	\$ 1,410,040
Income tax on unappropriated earnings	66,553	28,293
Adjustments for prior years	6,434	(5,042)
Deferred tax		
In respect of the current year	<u>200,322</u>	<u>(113,164)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,506,215</u>	<u>\$ 1,320,127</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 1,434,502	\$ 1,193,809
Non-deductible expenses in determining taxable income	1,222	420
Tax-exempt income	(975)	(1,363)
Others	(397)	(10,990)
Income tax on unappropriated earnings	84,217	48,785
Investment tax credits used	(127,265)	(108,461)
Loss carryforwards used	<u>(5,177)</u>	<u>(7,447)</u>
Current tax	1,386,127	1,114,753
Unrecognized deductible temporary differences and loss carryforwards	113,654	210,416
Adjustments for prior years' tax	<u>6,434</u>	<u>(5,042)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,506,215</u>	<u>\$ 1,320,127</u>

The tax rate applicable to companies subject to the Income Tax Act in the ROC is 20%; the tax rate applicable to subsidiaries in China is 25%. Tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

- b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 54,727	\$ (65,558)
Remeasurement of defined benefit plans	<u>3,924</u>	<u>1,646</u>
	<u>\$ 58,651</u>	<u>\$ (63,912)</u>

c. Deferred tax assets and liabilities

For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 289,703	\$ 1,417	\$ -	\$ 291,120
Allowance for impairment loss	1,731	(738)	-	993
Allowance for inventory devaluation	138,761	(22,136)	-	116,625
Payables for annual leave	25,468	(493)	-	24,975
Defined benefit obligation	24,118	(534)	(3,924)	19,660
Impairment loss on financial assets	4,071	-	-	4,071
Provisions	16,318	5,416	-	21,734
Financial liabilities at FVTPL	-	906	-	906
Exchange differences on foreign operations	149,838	-	(54,727)	95,111
Unrealized loss on foreign currency exchange	5,330	(5,330)	-	-
Others	8,124	(6,125)	-	1,999
	<u>\$ 663,462</u>	<u>\$ (27,617)</u>	<u>\$ (58,651)</u>	<u>\$ 577,194</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 635,153	\$ 148,322	\$ -	\$ 783,475
Unrealized gain on foreign currency exchange	1	15,547	-	15,548
Financial assets at FVTPL	63	(63)	-	-
Intangible assets	2,910	(611)	-	2,299
Others	43,296	9,510	-	52,806
	<u>\$ 681,423</u>	<u>\$ 172,705</u>	<u>\$ -</u>	<u>\$ 854,128</u>
For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 97,960	\$ 191,743	\$ -	\$ 289,703
Allowance for impairment loss	6,893	(5,162)	-	1,731
Allowance for inventory devaluation	96,084	42,677	-	138,761
Payables for annual leave	22,791	2,677	-	25,468
Defined benefit obligation	26,573	(809)	(1,646)	24,118
Impairment loss on financial assets	4,071	-	-	4,071
Provisions	4,754	11,564	-	16,318
Financial liabilities at FVTPL	1,440	(1,440)	-	-
Exchange differences on foreign operations	84,280	-	65,558	149,838

(Continued)

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Deferred expenses	\$ 2,933	\$ (2,933)	\$ -	\$ -
Unrealized loss on foreign currency exchange	-	5,330	-	5,330
Others	<u>13,941</u>	<u>(5,817)</u>	<u>-</u>	<u>8,124</u>
	<u>\$ 361,720</u>	<u>\$ 237,830</u>	<u>\$ 63,912</u>	<u>\$ 663,462</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 491,005	\$ 144,148	\$ -	\$ 635,153
Unrealized gain on foreign currency exchange	21,411	(21,410)	-	1
Financial assets at FVTPL	-	63	-	63
Intangible assets	-	2,910	-	2,910
Others	<u>44,341</u>	<u>(1,045)</u>	<u>-</u>	<u>43,296</u>
	<u>\$ 556,757</u>	<u>\$ 124,666</u>	<u>\$ -</u>	<u>\$ 681,423</u> (Concluded)

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Loss carryforwards	\$ 8,151,375	\$ 7,271,541
Investment loss	3,384,874	3,090,137
Deductible temporary difference	<u>879,674</u>	<u>1,140,150</u>
	<u>\$ 12,415,923</u>	<u>\$ 11,501,828</u>

- e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Investee	Unused Amount	Expiry Year
Eterbright	\$ 5,610,353	2023-2032
Matrix Precision	1,392,380	2023-2032
Hiwin Japan	606,317	2023-2032
Hiwin Korea	246,622	2023-2032
Matrix	<u>295,703</u>	no limit
	<u>\$ 8,151,375</u>	

f. Income tax assessments

The tax returns of the Corporation, Eterbright and Matrix Precision through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 4,479,381	345,209	<u>\$ 12.98</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>2,258</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 4,479,381</u>	<u>347,467</u>	<u>\$ 12.89</u>
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 3,532,230	340,792	<u>\$ 10.36</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>1,053</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	<u>\$ 3,532,230</u>	<u>341,845</u>	<u>\$ 10.33</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation 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 earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On December 30, 2022, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 85% to 89%, and recognized a decrease of \$190,861 thousand in retained earnings.

On June 24, 2021 and December 30, 2021, the Corporation subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 74% to 85%, and recognized a decrease of \$86,057 thousand in capital surplus and a decrease of \$350,958 thousand in retained earnings.

On January 8, 2021 and May 10, 2021, the Corporation subscribed for additional new shares of Matrix Precision at a percentage different from its existing ownership percentage, thereby decreasing its continuing interest from 51% to 50%, and recognized \$1,959 thousand in capital surplus.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

24. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Group has to maintain an appropriate amount of capital. Therefore, the Group manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development fees, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

The Group's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs and Level 3 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 228	\$ 2,895
Financial assets at amortized cost (1)	10,921,216	9,807,785
Financial assets at FVTOCI		
Equity instruments	846,591	1,466,280
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 4,757	\$ 2,580
Financial liabilities at amortized cost (2)	14,213,584	17,546,732

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable (including from related parties), trade receivables (including from related parties), financial assets at amortized cost - non-current and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables (including from related parties), other payables and long-term borrowings (including those due within one year).

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities, bills payable and borrowings. The Group's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by the audit committee and the board of directors in accordance with procedures required by relevant regulations and internal controls.

1) Market risk

The Group entered into some derivative financial instruments, mainly forward foreign exchange contracts, to manage its exposure to foreign currency risk arising on translation of sales and receivables from the export of precision component to USA, Germany, Japan and China.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes foreign exchange forward contracts to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

Since the Group's net investments in foreign operations are held for strategic purposes, they are not hedged.

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

Sensitivity analysis

The Group was mainly exposed to the USD, EUR, JPY and RMB.

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2022 and 2021 would have decreased by \$35,750 thousand and \$52,785 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Deposits in bank	\$ 1,255,267	\$ 408,908
Lease liabilities	532,798	526,408
Short-term bills payable	-	89,923
Short-term borrowings	1,085,012	851,782
Long-term borrowings	278,976	341,114
Cash flow interest rate risk		
Deposits in bank	6,102,849	4,800,654
Short-term borrowings	771,929	4,101,003
Long-term borrowings	6,824,539	5,844,231

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2022 and 2021 would have decreased by \$11,949 thousand and \$41,157 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the counterparties are all creditworthy organizations; thus, no significant credit risk is expected.

The counterparties of the Group's trade receivables cover a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of the counterparties of trade receivables.

The Group's credit risk by geographical locations was mainly in Asia, which accounted for 53% and 75% of the total trade receivables as of December 31, 2022 and 2021, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized bank loan facilities of \$13,984,978 thousand and \$12,566,013 thousand, respectively.

The following table details the Group's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2022</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 5,253,128	\$ -	\$ -
Lease liabilities	172,407	294,098	112,633
Fixed interest rate liabilities	1,161,449	202,539	-
Variable interest rate liabilities	<u>1,489,511</u>	<u>3,949,559</u>	<u>2,157,398</u>
	<u>\$ 8,076,495</u>	<u>\$ 4,446,196</u>	<u>\$ 2,270,031</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 4,757</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 6,318,679	\$ -	\$ -
Lease liabilities	144,586	284,977	124,811
Fixed interest rate liabilities	1,013,707	257,962	11,150
Variable interest rate liabilities	<u>4,836,198</u>	<u>2,501,994</u>	<u>2,607,042</u>
	<u>\$ 12,313,170</u>	<u>\$ 3,044,933</u>	<u>\$ 2,743,003</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$ -</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2022</u>					
Lease liabilities	\$ 172,407	\$ 294,098	\$ 68,433	\$ 43,844	\$ 356
Fixed interest rate liabilities	1,161,449	202,539	-	-	-
Variable interest rate liabilities	<u>1,489,511</u>	<u>3,949,559</u>	<u>1,572,338</u>	<u>390,060</u>	<u>195,000</u>
	<u>\$ 2,823,367</u>	<u>\$ 4,446,196</u>	<u>\$ 1,640,771</u>	<u>\$ 433,904</u>	<u>\$ 195,356</u>

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2021</u>					
Lease liabilities	\$ 144,586	\$ 284,977	\$ 75,001	\$ 49,810	\$ -
Fixed interest rate liabilities	1,013,707	257,962	11,150	-	-
Variable interest rate liabilities	<u>4,836,198</u>	<u>2,501,994</u>	<u>1,551,331</u>	<u>405,711</u>	<u>650,000</u>
	<u>\$ 5,994,491</u>	<u>\$ 3,044,933</u>	<u>\$ 1,637,482</u>	<u>\$ 455,521</u>	<u>\$ 650,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

<u>Related Party</u>	<u>Relationship with the Group</u>
Hiwin S.R.O.	Associate
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Hiwin Mikrosystem	Other related party
Hiwin Investment and Holding Corporation (Hiwin Investment Corporation)	Other related party
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Other related party
All Horng Gear Industry Co., Ltd.	Other related party
Taiwan Gong Ji Chang Co., Ltd.	Other related party (became non-related party starting from July 27, 2021)
Chuo, Yung-Tsai	Key management personnel
Chuo, Wen-Hen	Key management personnel

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
1) Sales of goods		
Associates	\$ 205,435	\$ 199,993
Other related parties	<u>118,138</u>	<u>125,727</u>
	<u>\$ 323,573</u>	<u>\$ 325,720</u>

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing.

	For the Year Ended December 31	
	2022	2021
2) Purchases of goods		
Other related parties	\$ 994,685	\$ 861,645
Associates	<u>149</u>	<u>105</u>
	<u>\$ 994,834</u>	<u>\$ 861,750</u>

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable.

3) Other operating transactions

	For the Year Ended December 31	
	2022	2021
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 9,526</u>	<u>\$ 2,829</u>
Non-operating income - other income		
Other related parties	<u>\$ 3,571</u>	<u>\$ 1,943</u>
Non-operating expense - other expenses		
Other related parties	<u>\$ 1,824</u>	<u>\$ -</u>
Manufacturing and operating expenses		
Other related parties	<u>\$ 48,921</u>	<u>\$ 9,660</u>
Operating expenses - donations		
Hiwin Education Foundation	<u>\$ 4,000</u>	<u>\$ 13,000</u>
	December 31	
	2022	2021

4) Notes receivable

Other related parties	<u>\$ 937</u>	<u>\$ 1,263</u>
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5) Trade receivables

Associates	\$ 16,356	\$ 17,532
Other related parties	<u>417</u>	<u>1,292</u>
	<u>\$ 16,773</u>	<u>\$ 18,824</u>

6) Other receivables (classified as other current assets)

Other related parties	<u>\$ 453</u>	<u>\$ 286</u>
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	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
7) Trade payables		
Other related parties	\$ 280,445	\$ 231,216
Associates	<u> -</u>	<u> 29</u>
	<u>\$ 280,445</u>	<u>\$ 231,245</u>
8) Other payables		
Other related parties	\$ 5,088	\$ 659
Key management personnel	<u>1,078</u>	<u>1,574</u>
	<u>\$ 6,166</u>	<u>\$ 2,233</u>
c. Acquisition of property, plant and equipment		
	<u>Purchase Price</u>	
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ 1,566</u>	<u>\$ 2,100</u>
d. Lease arrangements		
<p>Lease arrangements represented the lease prices of the Corporation's factory. The lease prices were determined in accordance with mutual agreements and were based on the market price of the nearby factories and the lease area. The rental expenses were paid monthly.</p>		
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Acquisition of right-of-use assets</u>		
Other related parties	<u>\$ 31,246</u>	<u>\$ 18,533</u>
	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Lease liabilities</u>		
Other related parties	<u>\$ 26,746</u>	<u>\$ 12,942</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Finance costs</u>		
Other related parties	<u>\$ 445</u>	<u>\$ 209</u>

e. Endorsements and guarantees

Endorsements and guarantees given by related parties

Related Party Category	December 31	
	2022	2021
Key management personnel		
Amount endorsed	\$ 2,298,095	\$ 2,012,130
Amount utilized (classified as short-term borrowings)	\$ 1,113,134	\$ 1,015,001
Other related parties		
Amount endorsed	\$ 320,000	\$ -

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 357,165	\$ 312,118
Post-employment benefits	962	949
Share-based payments	927	-
	<u>\$ 359,054</u>	<u>\$ 313,067</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term, long-term bank loans and discounted notes receivable:

	December 31	
	2022	2021
Property, plant and equipment	\$ 19,579,033	\$ 17,776,728
Right-of-use assets	150,488	230,537
Pledged deposits (classified as other current assets)	<u>300</u>	<u>2,000</u>
	<u>\$ 19,729,821</u>	<u>\$ 18,009,265</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$361,737 thousand and \$228,832 thousand, respectively.
- As of December 31, 2022 and 2021, commitment for acquisition of property, plant and equipment amounted to \$3,195,663 thousand and \$1,745,934 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 36,537	30.710	\$ 1,122,053	\$ 36,004	27.680	\$ 996,579
EUR	39,090	32.72	1,279,039	64,881	31.32	2,032,081
JPY	3,767,327	0.2324	875,527	2,918,766	0.2405	701,963
RMB	441,333	4.408	1,945,399	816,818	4.344	3,548,260
Non-monetary items						
ILS	24,542	8.647	212,213	16,961	8.955	151,888
<u>Financial liabilities</u>						
Monetary items						
USD	15,224	30.710	467,525	13,894	27.680	384,592
EUR	4,001	32.72	130,919	4,643	31.32	145,434
JPY	631,501	0.2324	146,761	562,043	0.2405	135,171
RMB	1,829	4.408	8,062	3,575	4.344	15,530

The Group is mainly exposed to the USD, EUR, JPY and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gain (loss) are as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
NTD	1 (NTD:NTD)	<u>\$ 327,445</u>	1 (NTD:NTD)	<u>\$ (157,143)</u>

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)

- 6) Disposal of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 9) Trading in derivative instruments. (Notes 7 and 25)
 - 10) Other: intercompany relationships and significant intercompany transactions. (Table 8)
 - 11) Information on investees. (Table 9)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 10)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 6 and 8)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11)

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are linear guideways, ballscrews and others.

a. Segment revenue and results

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

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2022	2021	2022	2021
Linear guideways	\$ 18,739,172	\$ 17,445,124	\$ 4,210,975	\$ 4,440,815
Ballscrews	6,312,037	5,739,935	1,473,140	1,054,590
Others	<u>4,263,439</u>	<u>4,080,103</u>	<u>(111,666)</u>	<u>(380,812)</u>
Total from continuing operations	<u>\$ 29,314,648</u>	<u>\$ 27,265,162</u>	5,572,449	5,114,593
Subsidized revenue			48,654	103,224
Finance costs			(186,879)	(169,159)
Share of profit of associates accounted for using the equity method			79,727	41,618
Interest income			53,909	13,406
Other income			103,486	104,721
Other expenses			(10,403)	(4,101)
Loss on disposal of property, plant and equipment			(123,430)	(44,474)
Net foreign exchange gain (loss)			301,085	(180,516)
Valuation loss on financial assets (liabilities) at FVTPL			(20,648)	(4,492)
Impairment loss			<u>-</u>	<u>(500,000)</u>
Profit before income tax			<u>\$ 5,817,950</u>	<u>\$ 4,474,820</u>

Segment revenue reported above represents revenue generated from external customers. The intersegment sales are eliminated for the years ended December 31, 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without subsidized revenue, finance costs, share of profit of associates accounted for using the equity method, interest income, other income, other expenses, loss on disposal of property, plant and equipment, net foreign exchange gain (loss), valuation loss on financial liabilities at FVTPL, impairment loss and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Group operates in Taiwan, Germany, China, Japan, and the USA.

The Group's revenue from continuing operations from external customers and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	\$ 13,678,110	\$ 13,696,690	\$ 24,132,854	\$ 24,603,213
China	5,988,915	4,867,335	2,103,006	2,001,047
Germany	4,076,353	3,807,965	1,091,415	1,035,544
USA	1,438,834	1,185,939	472,154	435,405
Japan	1,307,180	1,205,334	1,601,024	1,304,194
Others	<u>2,825,256</u>	<u>2,501,899</u>	<u>410,169</u>	<u>457,503</u>
	<u>\$ 29,314,648</u>	<u>\$ 27,265,162</u>	<u>\$ 29,810,622</u>	<u>\$ 29,836,906</u>

d. Information about major customers

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 4,442,513	15	\$ 3,571,837	13
Customer B	3,052,680	10	3,279,988	12

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Corporation	Hiwin Japan	Other receivables from related parties	Yes	\$ 225,012	\$ 212,693	\$ 212,693	1.9133%	1	Sales \$801,653	-	\$ -	-	\$ -	\$ 5,212,700	\$ 10,425,399

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Corporation based on its latest financial statements. For financing provided by the Corporation due to business dealings, other than the aforementioned restrictions, the amount of financing is also limited to the higher of the total purchase or sales amount between the 2 parties within 1 year from the date of financing or in the most recent year based on the principle that business transactions have already occurred between the two parties.

Note 2: The nature of financing is numbered as follows:

1. A company that has business dealings with the lender.
2. A company with short-term financing needs.

Note 3: The total amount of the Corporation's accumulated financing provided should not exceed 30% of the Corporation's net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

Note 5: Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Notes 1 and 2)	Maximum Amount Endorsed/Guaranteed During the Year (Note 4)	Outstanding Endorsement/Guarantee at the End of the Year (Notes 4 and 5)	Actual Amount Borrowed (Note 5)	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit (Notes 2 and 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										
0	The Corporation	Matrix	Subsidiary	\$ 3,475,133	\$ 75,240 (GBP 2,000)	\$ 74,180 (GBP 2,000)	\$ -	\$ -	0.2	\$ 12,162,966	Yes	-	-
0	The Corporation	Hiwin Italy	Subsidiary	3,475,133	922,704 (EUR 28,200)	922,704 (EUR 28,200)	245,852 (EUR 7,514)	-	2.7	12,162,966	Yes	-	-
0	The Corporation	Eterbright	Subsidiary	3,475,133	1,950,000	-	-	-	-	12,162,966	Yes	-	-
0	The Corporation	Hiwin Singapore	Subsidiary	3,475,133	193,290 (USD 6,000)	184,260 (USD 6,000)	-	-	0.5	12,162,966	Yes	-	-
0	The Corporation	Hiwin Korea	Subsidiary	3,475,133	386,580 (USD 12,000)	368,520 (USD 12,000)	133,589 (USD 4,350)	-	1.1	12,162,966	Yes	-	-
0	The Corporation	Hiwin Japan	Subsidiary	3,475,133	2,958,108 (JPY 13,588,000)	1,628,659 (JPY 7,008,000)	1,512,459 (JPY 6,508,000)	-	4.7	12,162,966	Yes	-	-
0	The Corporation	Matrix Precision	Subsidiary	3,475,133	950,000	950,000	500,000	-	2.7	12,162,966	Yes	-	-
1	Matrix Precision	Hiwin Mikrosystem	Other related party	2,053,575	288,000	288,000	-	-	141.3	2,053,575	No	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Corporation's net assets as shown in its most recent financial statements. If approved by the board of directors, the amount of endorsements/guarantees provided by the Corporation for its subsidiaries is not subject to the foregoing limitations; however, it must not exceed 50% of the Corporation's net assets in its most recent financial statements.

Note 2: The limit on the endorsements/guarantees provided for a single enterprise is 10% of Matrix Precision's net assets as shown in its most recent financial statements. The aggregate endorsement/guarantee limit is 35% of Matrix Precision's net assets as shown in its most recent financial statements. Because both applicants have signed a contract for mutual insurance, the amount of endorsements/guarantees provided by Matrix Precision is not subject to the foregoing limitations; however, it must not exceed 300% of Matrix Precision's higher amounts of paid-in capital or net assets in its most recent financial statements.

Note 3: The aggregate endorsement/guarantee limit is 35% of the Corporation's net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

Note 5: The amounts denominated in foreign currencies were translated into the New Taiwan dollar at the exchange rate prevailing at the end of last month.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,873	-	\$ 2,873	
	<u>Shares</u> Hiwin Mikrosystem	Other related party	Financial assets at FVTOCI - non-current	9,525,676	660,129	8	660,129	
	Ever Fortune	-	Financial assets at FVTOCI - non-current	2,573,000	182,812	3	182,812	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	3,650	-	3,650	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	

Note: For information on the investments in subsidiaries and associates, see Tables 9 and 10.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICE AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount (Note 3)
The Corporation	Shares	Investments accounted for using the equity method	Eterbright	Subsidiary	345,460,592	\$ (123,039)	159,900,000	\$ 1,599,000	-	\$ -	\$ -	\$ -	\$ (484,995) (Note)	505,360,592	\$ 990,966

Note: Including investment loss accounted for using the equity method of \$(294,738) thousand, realized gross profit of \$604 thousand and a decrease in net assets of \$(190,861) thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Corporation	Yunlin Technology Third Factory	2022.5.10	\$ 398,000	\$ 147,260	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
The Corporation	Yunlin Technology Third Factory	2022.5.10	370,000	48,100	Ou Dyi Electric Technique Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Corporation	Yunlin Technology Third Factory	2022.5.10	180,000	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Corporation	First Factory	2022.7.5	410,000	8,200	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Corporation	Second Factory	2022.8.10	480,000	13,200	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Corporation	First Factory	2022.11.7	381,700	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Corporation	Second Factory	2022.11.7	363,300	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
Matrix Precision	Fongshan Industrial Park Factory	2022.11.7	642,447	-	Fu Tai Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
Matrix Precision	Fongshan Industrial Park Factory	2022.12.23	385,560	-	Chyi Ding Technologies Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO 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)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
The Corporation	Hiwin China	Subsidiary	Sale	\$ (4,345,534)	(19)	O/A 90-120 days	\$ -	-	\$ 698,995	18	
	Hiwin Germany	Subsidiary	Sale	(1,678,140)	(8)	O/A 90 days	-	-	421,275	11	
	Hiwin Japan	Subsidiary	Sale	(801,653)	(4)	O/A 150 days	-	-	515,387	14	
	Hiwin Italy	Subsidiary	Sale	(728,256)	(3)	O/A 180 days	-	-	489,973	13	
	Hiwin USA	Subsidiary	Sale	(641,689)	(3)	O/A 120 days	-	-	144,787	4	
	Hiwin Korea	Subsidiary	Sale	(304,948)	(1)	O/A 180 days	-	-	164,790	4	
	Hiwin Singapore	Subsidiary	Sale	(164,195)	(1)	O/A 120 days	-	-	43,164	1	
	Hiwin Schweiz	Subsidiary	Sale	(158,494)	(1)	O/A 60 days	-	-	25,720	1	
	Hiwin Mikrosystem	Other related party	Purchase	191,329	2	O/A 90 days	-	-	(56,835)	(1)	
Hiwin China	The Corporation	Parent company	Purchase	4,345,534	98	O/A 90-120 days	-	-	(698,995)	(96)	
Hiwin Germany	The Corporation	Parent company	Purchase	1,678,140	66	O/A 90 days	-	-	(421,275)	(64)	
	Hiwin Mikrosystem	Other related party	Purchase	420,584	17	O/A 90 days	-	-	(99,330)	(15)	
	Hiwin S.R.O	Other related party	Sale	(204,290)	(5)	O/A 45 days	-	-	16,354	8	
Hiwin Japan	The Corporation	Parent company	Purchase	801,653	79	O/A 150 days	-	-	(515,387)	(91)	
Hiwin Italy	The Corporation	Parent company	Purchase	728,256	90	O/A 180 days	-	-	(489,973)	(89)	
Hiwin USA	The Corporation	Parent company	Purchase	641,689	74	O/A 120 days	-	-	(144,787)	(81)	
	Hiwin Mikrosystem	Other related party	Purchase	124,505	14	O/A 90 days	-	-	(19,753)	(11)	
Hiwin Korea	The Corporation	Parent company	Purchase	304,948	92	O/A 180 days	-	-	(164,790)	(94)	
Hiwin Singapore	The Corporation	Parent company	Purchase	164,195	69	O/A 120 days	-	-	(43,164)	(78)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	158,494	64	O/A 60 days	-	-	(25,720)	(53)	

Note: Except for Hiwin Mikrosystem and Hiwin S.R.O, significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Corporation	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 515,387	1.48	\$ -	-	\$ -	\$ -
			Other receivables from related parties	214,415	-	-	-	101,651	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	421,275	2.40	-	-	159,883	-
			Hiwin Italy	Subsidiary	Trade receivables from related parties	489,973	1.21	-	-
	Hiwin China	Subsidiary	Trade receivables from related parties	698,995	3.64	-	-	471,369	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	144,787	3.83	-	-	47,456	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	164,790	1.84	-	-	44,127	-

Note : Significant intercompany accounts and transactions have been eliminated.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Hiwin Germany	1	Sales	\$ 1,678,140	O/A 90 days	6
			1	Trade receivables	421,275	O/A 90 days	1
		Hiwin Japan	1	Sales	801,653	O/A 150 days	3
			1	Trade receivables	515,387	O/A 150 days	1
		Hiwin China	1	Other receivables	214,415	-	-
			1	Sales	4,345,534	O/A 90-120 days	15
		Hiwin Italy	1	Trade receivables	698,995	O/A 90-120 days	1
			1	Sales	728,256	O/A 180 days	2
		Hiwin USA	1	Trade receivables	489,973	O/A 180 days	1
			1	Sales	641,689	O/A 120 days	2
		Hiwin Korea	1	Trade receivables	144,787	O/A 120 days	-
			1	Sales	304,948	O/A 180 days	1
		Hiwin Singapore	1	Trade receivables	164,790	O/A 180 days	-
			1	Sales	164,195	O/A 120 days	1
		Hiwin Schweiz	1	Trade receivables	43,164	O/A 120 days	-
			1	Sales	158,494	O/A 60 days	1
			1	Trade receivables	25,720	O/A 60 days	-

Note 1: Relationship of investee company to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: Unrealized gains from Hiwin China totaled \$259,117 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

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 Corporation	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 2,019,545	\$ 283,750	\$ 283,750	Subsidiary
	Hiwin USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	893,296	141,144	141,144	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	918,602	62,200	100	(9,156)	(42,207)	(42,207)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	245,042	163,888	65,556	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	6,322,668	4,723,668	505,360,592	89	990,966	(346,419)	(294,738)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	53,389	25,736	25,736	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	242,707	1,760,000	100	(102,815)	(40,037)	(40,037)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	1,022,664	1,022,664	34,294,075	50	270,693	(221,645)	(116,228)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,836	(32)	(32)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	108,189	130,600	130,600	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	630,154	535,904	6,449,500	100	302,094	(67,398)	(62,650)	Subsidiary
Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	266,747	51,404	51,404	Subsidiary	
Hiwin Germany	Hiwin S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	82,381 (EUR 2,518)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	42,106	51,404	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: Except for Mega-Fabs and Hiwin S.R.O., the remaining investee companies are all consolidated entities and the significant intercompany accounts and transactions have been eliminated.

Note 3: For information on investments in mainland China, see Table 10.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 1,498,040 (RMB 300,000)	(Note 1)	\$ 1,498,040 (RMB 300,000)	\$ -	\$ -	\$ 1,498,040 (RMB 300,000)	\$ 304,570	100	\$ 304,570 (Notes 2 and 4)	\$ 2,256,997 (Note 4)	\$ -
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 1)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	(3,595)	50	(1,801) (Notes 2 and 4)	1,414 (Note 4)	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation	\$ 1,498,040 (RMB 300,000)	\$ 1,498,040 (RMB 300,000)	(Note 3)
Matrix Precision	\$ 9,076 (RMB 2,000)	\$ 9,076 (RMB 2,000)	\$ 122,334 (Note 3)

Note 1: The investment in mainland China was made directly.

Note 2: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

Note 3: Calculated in accordance with the "Regulations on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the Corporation has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that has conformed to the scope of operations of the headquarters; therefore, there is no investment limit. The upper limit on the amount of investments in Matrix Precision is 60% of the net assets of Matrix Precision.

Note 4: Significant intercompany accounts and transactions have been eliminated.

TABLE 11**HIWIN TECHNOLOGIES CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	28,829,898	8.14%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Corporation's consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

Appendix ii : Individual Financial Statement Certified by a CPA for the Most Recent Fiscal Year

The Board of Directors and Shareholders
Hiwin Technologies Corporation

Opinion

We have audited the accompanying financial statements of Hiwin Technologies 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 matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters 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 these matters.

The key audit matters of the Company’s financial statements for the year ended December 31, 2022 are described as follows:

Revenue Recognition

The sales of the Company mainly rely on distribution channels. Revenue from the sale of goods is recognized when the Company satisfies the performance obligations. There is a risk that revenue might be recognized even when specific conditions have not been satisfied. Because of the risk of misstatement and materiality of sales revenue generated by distribution channels, we identified the recognition of sales revenue as a key audit matter. The accounting policy on sales revenue recognition is disclosed in Note 4 to the financial statements.

Our key audit procedures performed in respect of revenue recognition included the following:

1. We understood the internal controls and evaluated the design and implementation of key controls, and tested the operating effectiveness of relevant controls over order acceptance and shipping procedures; we selected sample sales transactions of distribution channels and verified that order receipts and the timing of the revenue recognition were in accordance with the terms of transaction.
2. We validated the terms of transactions against sales contracts and orders from major distributors to ensure the consistency between terms of transaction and the timing of the revenue recognition; we tested the records of sales returns against source documents and checked whether there was any unusual item during the year and after the balance sheet date.

Valuation and Impairment Assessment of Inventory

As of December 31, 2022, the carrying amount of inventory was \$4,950,982 thousand. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 10 to the financial statements.

Our key audit procedures performed in respect of the valuation and impairment assessment included the following:

1. We understood and assessed the related internal controls and procedures on the valuation of inventory.
2. We assessed the reasonableness of allowance for impairment of inventory by reference to the aging of inventories and the level of inventory consumed and sold.
3. We tested the net realizable value of sample inventory items, and checked the accuracy of the net realizable value.
4. We compared the net realizable value of the sample inventory items with the carrying amount to confirm that the carrying amount of inventory did not exceed its net realizable value.
5. We evaluated the adequacy of provision for obsolete and damaged inventories during our observation of inventory counts.

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 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 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 a statement 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 audits resulting in this independent auditors' report are Li-Tung Wu and Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 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.

HIWIN TECHNOLOGIES CORPORATION

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,378,863	10	\$ 2,252,698	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	228	-	2,895	-
Notes receivable from unrelated parties, net (Notes 4 and 9)	75,014	-	172,837	-
Trade receivables from unrelated parties, net (Notes 4 and 9)	1,205,812	3	1,862,292	4
Trade receivables from related parties, net (Notes 4, 9 and 25)	2,514,522	5	4,396,307	10
Inventories (Notes 4, 5 and 10)	4,950,982	11	4,681,275	11
Other current assets (Note 25)	380,418	1	265,732	1
Total current assets	<u>13,505,839</u>	<u>30</u>	<u>13,634,036</u>	<u>31</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	846,591	2	1,466,280	3
Financial assets at amortized cost - non-current (Note 4)	2,873	-	2,890	-
Investments accounted for using the equity method (Notes 4, 11, 22 and 25)	7,409,794	17	5,313,589	12
Property, plant and equipment (Notes 4, 12, 25 and 26)	21,166,992	47	21,339,966	49
Right-of-use assets (Notes 4, 13 and 25)	258,602	1	217,819	1
Deferred tax assets (Notes 4 and 20)	525,605	1	591,444	1
Prepayments for machinery and equipment (Notes 14 and 25)	1,047,669	2	1,372,199	3
Refundable deposits (Note 4)	15,107	-	15,409	-
Other non-current assets (Note 4)	18,110	-	15,547	-
Total non-current assets	<u>31,291,343</u>	<u>70</u>	<u>30,335,143</u>	<u>69</u>
TOTAL	<u>\$ 44,797,182</u>	<u>100</u>	<u>\$ 43,969,179</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 26)	\$ -	-	\$ 1,940,000	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4,757	-	2,580	-
Contract liabilities - current (Note 4)	75,527	-	98,949	-
Notes payable	2,591	-	1,665	-
Trade payables to unrelated parties	2,454,193	6	3,647,902	8
Trade payables to related parties (Note 25)	64,342	-	38,003	-
Other payables (Notes 16 and 25)	1,746,870	4	1,614,945	4
Current tax liabilities (Notes 4 and 20)	977,940	2	1,095,211	3
Lease liabilities - current (Notes 4, 13 and 25)	76,304	-	42,523	-
Current portion of long-term borrowings (Notes 15 and 26)	472,893	1	475,347	1
Other current liabilities (Note 4)	48,247	-	52,517	-
Total current liabilities	<u>5,923,664</u>	<u>13</u>	<u>9,009,642</u>	<u>20</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 26)	2,846,570	6	3,414,781	8
Deferred tax liabilities (Notes 4 and 20)	808,232	2	644,470	2
Lease liabilities - non-current (Notes 4, 13 and 25)	183,416	1	176,331	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	168,915	-	199,187	-
Guarantee deposits	2,750	-	4,600	-
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	111,971	-	239,485	1
Other non-current liabilities (Note 15)	334	-	398	-
Total non-current liabilities	<u>4,122,188</u>	<u>9</u>	<u>4,679,252</u>	<u>11</u>
Total liabilities	<u>10,045,852</u>	<u>22</u>	<u>13,688,894</u>	<u>31</u>
EQUITY				
Ordinary shares	3,537,923	8	3,407,923	8
Capital surplus	7,479,735	17	5,516,470	13
Retained earnings				
Legal reserve	3,390,134	7	3,071,586	7
Unappropriated earnings	20,069,127	45	17,609,166	40
Other equity	274,411	1	675,140	1
Total equity	<u>34,751,330</u>	<u>78</u>	<u>30,280,285</u>	<u>69</u>
TOTAL	<u>\$ 44,797,182</u>	<u>100</u>	<u>\$ 43,969,179</u>	<u>100</u>

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

HIWIN TECHNOLOGIES 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	%
SALES (Notes 4 and 25)	\$ 22,314,862	100	\$ 23,005,899	100
COST OF GOODS SOLD (Notes 10, 19 and 25)	<u>15,026,082</u>	<u>67</u>	<u>15,238,729</u>	<u>66</u>
GROSS PROFIT	7,288,780	33	7,767,170	34
UNREALIZED GAIN (Note 4)	<u>(7,085)</u>	<u>-</u>	<u>(958,715)</u>	<u>(4)</u>
REALIZED GROSS PROFIT	<u>7,281,695</u>	<u>33</u>	<u>6,808,455</u>	<u>30</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	456,838	2	363,754	2
General and administrative expenses	998,488	5	947,127	4
Research and development expenses	<u>938,945</u>	<u>4</u>	<u>795,556</u>	<u>3</u>
Total operating expenses	<u>2,394,271</u>	<u>11</u>	<u>2,106,437</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>4,887,424</u>	<u>22</u>	<u>4,702,018</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidized revenue (Note 4)	28,682	-	52,370	-
Finance costs (Notes 4, 19 and 25)	(57,291)	-	(68,421)	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 11)	446,868	2	(74,078)	-
Interest income (Notes 4 and 25)	36,163	-	9,786	-
Other income (Note 25)	102,406	1	118,643	-
Other expenses	(566)	-	(850)	-
Loss on disposal of property, plant and equipment (Note 4)	(123,744)	(1)	(47,561)	-
Net foreign exchange gain (loss) (Notes 4 and 28)	325,222	1	(156,029)	(1)
Valuation loss on financial assets (liabilities) at fair value through profit or loss (Note 4)	<u>(20,648)</u>	<u>-</u>	<u>(4,492)</u>	<u>-</u>
Total non-operating income and expenses	<u>737,092</u>	<u>3</u>	<u>(170,632)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	5,624,516	25	4,531,386	20
INCOME TAX EXPENSE (Notes 4 and 20)	<u>1,145,135</u>	<u>5</u>	<u>999,156</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,479,381</u>	<u>20</u>	<u>3,532,230</u>	<u>16</u>

(Continued)

HIWIN TECHNOLOGIES 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) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 19,618	-	\$ 8,230	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	(619,689)	(3)	541,302	2
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	7,860	-	(2,372)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>(3,924)</u>	<u>-</u>	<u>(1,646)</u>	<u>-</u>
	<u>(596,135)</u>	<u>(3)</u>	<u>545,514</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	273,635	1	(327,790)	(1)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	52	-	(566)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	<u>(54,727)</u>	<u>-</u>	<u>65,558</u>	<u>-</u>
	<u>218,960</u>	<u>1</u>	<u>(262,798)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(377,175)</u>	<u>(2)</u>	<u>282,716</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,102,206</u>	<u>18</u>	<u>\$ 3,814,946</u>	<u>17</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 12.98</u>		<u>\$ 10.36</u>	
Diluted	<u>\$ 12.89</u>		<u>\$ 10.33</u>	

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

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

	Ordinary Shares (Note 18)	Capital Surplus (Notes 18 and 22)	Retained Earnings (Notes 18 and 22)		Other Equity (Note 4)		Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 3,308,663	\$ 5,600,568	\$ 2,892,584	\$ 15,363,677	\$ (336,864)	\$ 733,500	\$ 27,562,128
Appropriation of 2020 earnings							
Legal reserve	-	-	179,002	(179,002)	-	-	-
Cash dividends - NT\$2.0 per share	-	-	-	(661,733)	-	-	(661,733)
Share dividends - NT\$0.3 per share	99,260	-	-	(99,260)	-	-	-
	99,260	-	179,002	(939,995)	-	-	(661,733)
Changes in percentage of ownership interests in subsidiaries	-	(84,098)	-	(350,958)	-	-	(435,056)
Net profit for the year ended December 31, 2021	-	-	-	3,532,230	-	-	3,532,230
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	4,212	(262,798)	541,302	282,716
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	3,536,442	(262,798)	541,302	3,814,946
BALANCE AT DECEMBER 31, 2021	3,407,923	5,516,470	3,071,586	17,609,166	(599,662)	1,274,802	30,280,285
Appropriation of 2021 earnings							
Legal reserve	-	-	318,548	(318,548)	-	-	-
Cash dividends - NT\$4.5 per share	-	-	-	(1,533,565)	-	-	(1,533,565)
	-	-	318,548	(1,852,113)	-	-	(1,533,565)
Issuance of ordinary shares for cash	130,000	1,945,000	-	-	-	-	2,075,000
Share-based payments arrangements	-	18,265	-	-	-	-	18,265
Changes in percentage of ownership interests in subsidiaries	-	-	-	(190,861)	-	-	(190,861)
Net profit for the year ended December 31, 2022	-	-	-	4,479,381	-	-	4,479,381
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	23,554	218,960	(619,689)	(377,175)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	4,502,935	218,960	(619,689)	4,102,206
BALANCE AT DECEMBER 31, 2022	\$ 3,537,923	\$ 7,479,735	\$ 3,390,134	\$ 20,069,127	\$ (380,702)	\$ 655,113	\$ 34,751,330

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

HIWIN TECHNOLOGIES CORPORATION

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,624,516	\$ 4,531,386
Adjustments for:		
Depreciation expenses	1,662,741	1,649,169
Amortization expenses	2,853	3,892
Expected credit loss recognized (reversed) on trade receivables	(1,840)	863
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	4,529	(315)
Finance costs	57,291	68,421
Interest income	(36,163)	(9,786)
Dividend income	(9,531)	(31,499)
Share-based compensation	18,265	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(446,868)	74,078
Loss on disposal of property, plant and equipment	123,744	47,561
Impairment loss recognized on non-financial assets	15,346	95,654
Unrealized gains	7,085	958,715
Unrealized foreign currency exchange loss (gain), net	(64,020)	27,560
Others	(1,314)	(956)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	315	(7,199)
Notes receivable	99,569	(122,563)
Trade receivables	2,610,811	(222,367)
Inventories	(63,102)	(891,445)
Other current assets	(99,970)	206,912
Contract liabilities	(23,422)	78,552
Notes payable	926	(7,097)
Trade payables	(1,175,802)	622,743
Other payables	130,553	470,285
Other current liabilities	(4,270)	7,507
Net defined benefit liabilities	(10,654)	(55,830)
Cash generated from operations	8,421,588	7,494,241
Interest received	35,962	9,758
Dividend received	9,531	31,499
Interest paid	(56,516)	(69,184)
Income tax paid	(1,105,971)	(267,297)
Net cash generated from operating activities	<u>7,304,594</u>	<u>7,199,017</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of financial assets at fair value through other comprehensive income	-	19,256
Payments for property, plant and equipment	(934,267)	(538,794)
Proceeds from disposal of property, plant and equipment	22,665	1,610

(Continued)

HIWIN TECHNOLOGIES CORPORATION

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

	2022	2021
Decrease (increase) in refundable deposits	\$ 302	\$ (5,024)
Decrease (increase) in other non-current assets	(5,611)	124,851
Increase in prepayments for machinery and equipment	<u>(522,728)</u>	<u>(680,433)</u>
Net cash used in investing activities	<u>(1,439,639)</u>	<u>(1,078,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,940,000)	(40,000)
Proceeds from long-term borrowings	2,000	200,000
Repayments of long-term borrowings	(572,777)	(2,266,701)
Increase (decrease) in guarantee deposit received	(1,850)	3,616
Repayment of the principal portion of lease liabilities	(74,348)	(61,275)
Dividends paid	(1,533,565)	(661,733)
Proceeds from issuance of ordinary shares	2,075,000	-
Acquisition of additional shares of subsidiary	<u>(1,693,250)</u>	<u>(2,374,814)</u>
Net cash used in financing activities	<u>(3,738,790)</u>	<u>(5,200,907)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,126,165	919,576
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,252,698</u>	<u>1,333,122</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,378,863</u>	<u>\$ 2,252,698</u>

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

(Concluded)

HIWIN TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL INFORMATION

Hiwin Technologies Corporation (the “Company”) was incorporated on October 11, 1989. It manufactures and sells ballscrews, linear guideways, industrial robots, aerospace automation equipment parts, computer numerical control (CNC) milling machines and medical equipment.

The Company obtained approval from the Securities and Futures Bureau (SFB), Financial Supervisory Commission (FSC) to become a public company on April 16, 1997. The shares of the Company have been listed on the Taiwan Stock Exchange (TWSE) since June 26, 2009.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 24, 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 FSC

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

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

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

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

Note 2: The amendments will be 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 were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were 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 the above 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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - 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 IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments 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 the above 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

- a. Statement of compliance

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

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other

comprehensive income for the year and total equity in the financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries, associates and the related equity items, as appropriate, in these financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

For the purpose of presenting the financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is 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.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses 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 losses.

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 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 if the Company had directly disposed of the related assets or liabilities.

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

g. Investment in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

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

associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate 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 over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

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

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

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

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

h. Property, plant, and equipment

Property, plant and equipment are measured at cost less recognized accumulated depreciation.

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. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling and the cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

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.

j. Impairment of property, plant, and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and 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.

k. 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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) 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.

i. Financial asset at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL 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. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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, including cash and cash equivalents, notes receivable, trade receivables, and refundable deposits 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 such financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii) 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:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. 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 measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, 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.

b) Impairment of financial assets

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

The Company always recognizes lifetime expected credit loss (ECL) for trade receivables. For 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 default occurring as the weights. Lifetime ECL represents the expected credit loss 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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 360 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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. When the fair value of a

derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations to assure that products comply with agree-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligation.

m. Revenue recognition

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

For contract where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped/the goods are picked up because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leases

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

1) 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.

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

2) 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 by 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 presented on a separate line in the balance sheets.

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. 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 Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, 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. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

q. Employee benefits

1) 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 services.

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options; the expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

s. Taxation

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

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for 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.

2) Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

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 on 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 Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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.

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
Cash on hand	\$ 1,749	\$ 1,167
Checking accounts and demand deposits	3,896,128	1,885,766
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>480,986</u>	<u>365,765</u>
	<u>\$ 4,378,863</u>	<u>\$ 2,252,698</u>

Rate of interest per annum (%)

Cash in bank	0.00-1.05	0.00-0.35
Time deposits (investments with original maturities of 3 months or less)	1.05-4.20	1.22-2.66

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's financial assets and liabilities mandatorily designated as at fair value through profit or loss (FVTPL) are all generated from its derivative financial products of foreign exchange forward contracts. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Sell	EUR/NTD	2023.1.19-2023.3.31	EUR4,800/NTD153,578
Sell	RMB/NTD	2023.1.17-2023.3.24	CNY40,000/NTD175,395
Sell	USD/NTD	2023.1.19-2023.2.24	USD2,400/NTD73,376
<u>December 31, 2021</u>			
Sell	EUR/NTD	2022.1.18-2022.3.17	EUR7,900/NTD250,120
Sell	RMB/NTD	2022.1.10-2022.3.18	CNY165,000/NTD712,853
Sell	USD/NTD	2022.1.10-2022.3.10	USD3,200/NTD88,873

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	2022	2021
<u>Name of Investee Company</u>		
Domestic listed ordinary shares		
Hiwin Mikrosystem Corp. (Hiwin Mikrosystem)	\$ 660,129	\$ 1,076,401
Domestic unlisted ordinary shares		
Ever Fortune. AI Co., Ltd. (Ever Fortune)	182,812	386,799
Taichung International Country Club	3,650	3,080
Sunengine Corporation Ltd. (Sunengine)	-	-
King Kong Iron Work Ltd.	-	-
Overseas unlisted ordinary shares		
Kaland Holdings Corp. (Kaland)	-	-
	<u>\$ 846,591</u>	<u>\$ 1,466,280</u>

The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Company's investment in Suzhou YIFU Finance Leasing Co., Ltd. (YIFU Finance). The investment in the amount of US\$8,168 thousand was made through Kaland and Cheer Tone Group Limited in British Virgin Islands (BVI). YIFU Finance mainly engages in finance leasing services.

In August 2021, the liquidation of Kaland had been approved by Kaland's board of directors and it was liquidated in August 2021 for net proceeds of US\$804 thousand.

Ever Fortune's shares have been listed on the Emerging Stock Market in September 2021.

These investments in equity instruments are not held for trading. Instead, they are held for medium to

long-term strategic purposes. Accordingly, the management elected 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.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 75,014	\$ 174,583
Less: Allowance for impairment loss	<u>-</u>	<u>(1,746)</u>
	<u>\$ 75,014</u>	<u>\$ 172,837</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,720,334	\$ 6,258,693
Less: Allowance for impairment loss	<u>-</u>	<u>(94)</u>
	<u>\$ 3,720,334</u>	<u>\$ 6,258,599</u>

a. Notes receivable

The Company's aging of notes receivable is as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Not past due	\$ 75,014	\$ 174,583
Past due	<u>-</u>	<u>-</u>
	<u>\$ 75,014</u>	<u>\$ 174,583</u>

The above aging schedule was based on the past due days.

b. Trade receivables

The Company determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms.

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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts 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 according to 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:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
<u>December 31, 2022</u>					
Gross carrying amount	\$ 3,302,910	\$ 417,424	\$ -	\$ -	\$ 3,720,334
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	<u>\$ 3,302,910</u>	<u>\$ 417,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,720,334</u>
<u>December 31, 2021</u>					
Gross carrying amount	\$ 5,776,406	\$ 482,287	\$ -	\$ -	\$ 6,258,693
Loss allowance (Lifetime ECL)	(18)	(76)	-	-	(94)
Amortized cost	<u>\$ 5,776,388</u>	<u>\$ 482,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,258,599</u>

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2022	
	Notes Receivable	Trade Receivables
Balance at January 1, 2022	\$ 1,746	\$ 94
Net remeasurement of loss allowance	<u>(1,746)</u>	<u>(94)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2021	\$ 520	\$ 457
Net remeasurement of loss allowance	<u>1,226</u>	<u>(363)</u>
Balance at December 31, 2021	<u>\$ 1,746</u>	<u>\$ 94</u>

10. INVENTORIES

	<u>December 31</u>	
	2022	2021
Merchandise	\$ 972	\$ 2,893
Finished goods	879,450	761,794
Work in process	945,642	1,475,002
Raw materials and supplies	2,850,197	2,128,236
Inventory in transit	<u>274,721</u>	<u>313,350</u>
	<u>\$ 4,950,982</u>	<u>\$ 4,681,275</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$15,026,082 thousand and \$15,238,729 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$15,346 thousand and \$95,654 thousand, respectively, and unallocated fixed overhead of \$215,737 thousand and \$120,420 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2022	2021
Investments in subsidiaries	\$ 7,164,752	\$ 5,128,872
Investments in associates	<u>245,042</u>	<u>184,717</u>
	<u>\$ 7,409,794</u>	<u>\$ 5,313,589</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	2022	2021
Hiwin GmbH (“Hiwin Germany”)	\$ 2,019,545	\$ 1,683,515
Hiwin Corporation, U.S.A. (“Hiwin USA”)	893,296	715,336
Hiwin Corporation, Japan (“Hiwin Japan”)	(9,156)	44,350
Eterbright Solar Corporation (“Eterbright”)	990,966	(123,039)
Hiwin Singapore Pte. Ltd. (“Hiwin Singapore”)	53,389	19,104
Hiwin Corporation (“Hiwin Korea”)	(102,815)	(66,630)
Hiwin Technologies (China) Corporation (“Hiwin China”)	2,256,997	1,826,457
Matrix Precision Co., Ltd. (“Matrix Precision”)	270,693	384,280
Hiwin Healthcare Corp.	2,836	2,585
Hiwin S.R.L. (“Hiwin Italy”)	108,189	(49,816)
Matrix Machine Tool (Coventry) Limited (“Matrix”)	302,094	273,715
Hiwin (Schweiz) GmbH (“Hiwin Schweiz”)	<u>266,747</u>	<u>179,530</u>
	7,052,781	4,889,387
Add: Credit balance of investments accounted for using the equity method transferred to non-current liabilities	<u>111,971</u>	<u>239,485</u>
	<u>\$ 7,164,752</u>	<u>\$ 5,128,872</u>

<u>Name of subsidiary</u>	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
Hiwin Germany	100%	100%
Hiwin USA	100%	100%
Hiwin Japan	100%	100%
Eterbright (Note 22)	89%	85%
Hiwin Singapore	100%	100%
Hiwin Korea	100%	100%
Hiwin China	100%	100%
Matrix Precision (Note 22)	50%	50%
Hiwin Healthcare Corp.	100%	100%
 <u>Name of subsidiary</u>		
Hiwin Italy	100%	100%
Matrix	100%	100%
Hiwin Schweiz	81%	81%
		(Concluded)

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 245,042</u>	<u>\$ 184,717</u>
	For the Year Ended December 31	
	2022	2021
The Company's share of:		
Profit for the year	\$ 65,556	\$ 29,745
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 65,556</u>	<u>\$ 29,745</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were calculated based on the financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 3,890,629	\$ -	\$ -	\$ -	\$ 3,890,629
Buildings and improvements	11,469,752	17,350	(216,959)	155,347	11,425,490
Machinery and equipment	11,767,140	222,508	(663,936)	796,072	12,121,784
Transportation equipment	81,202	565	(3,945)	-	77,822
Miscellaneous equipment	1,681,219	120,760	(166,405)	50,229	1,685,803
Construction in progress	140,576	573,793	-	(154,390)	559,979
	<u>29,030,518</u>	<u>\$ 934,976</u>	<u>\$ (1,051,245)</u>	<u>\$ 847,258</u>	<u>29,761,507</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	\$ 1,770,442	\$ 240,651	\$ (102,192)	\$ -	\$ 1,908,901
Machinery and equipment	4,904,160	1,375,212	(648,247)	-	5,631,125
Transportation equipment	30,333	12,873	(3,945)	-	39,261
Miscellaneous equipment	985,617	180,063	(150,452)	-	1,015,228
	<u>7,690,552</u>	<u>\$ 1,808,799</u>	<u>\$ (904,836)</u>	<u>\$ -</u>	<u>8,594,515</u>
	<u>\$ 21,339,966</u>				<u>\$ 21,166,992</u>
<u>Cost</u>					
Land	\$ 3,890,629	\$ -	\$ -	\$ -	\$ 3,890,629
Buildings and improvements	11,321,802	21,773	(92)	126,269	11,469,752
Machinery and equipment	11,812,851	209,199	(1,219,674)	964,764	11,767,140
Transportation equipment	60,682	1,857	(11,346)	30,009	81,202
Miscellaneous equipment	1,851,021	83,226	(265,249)	12,221	1,681,219
Construction in progress	34,444	217,193	-	(111,061)	140,576
	<u>28,971,429</u>	<u>\$ 533,248</u>	<u>\$ (1,496,361)</u>	<u>\$ 1,022,202</u>	<u>29,030,518</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	1,530,504	\$ 240,030	\$ (92)	\$ -	1,770,442
Machinery and equipment	4,736,599	1,344,779	(1,177,218)	-	4,904,160
Transportation equipment	31,109	10,570	(11,346)	-	30,333
Miscellaneous equipment	1,043,455	200,696	(258,534)	-	985,617
	<u>7,341,667</u>	<u>\$ 1,796,075</u>	<u>\$ (1,447,190)</u>	<u>\$ -</u>	<u>7,690,552</u>
	<u>\$ 21,629,762</u>				<u>\$ 21,339,966</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	28-55 years
Electrical power equipment	35 years
Engineering system	8-20 years
Machinery and equipment	
Machinery equipment	3-15 years
Inspection equipment	3-10 years
Transportation equipment	3-10 years
Miscellaneous equipment	1-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 114,607	\$ 122,323
Buildings	<u>143,995</u>	<u>95,496</u>
	<u>\$ 258,602</u>	<u>\$ 217,819</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 116,481</u>	<u>\$ 44,071</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,186	\$ 8,155
Buildings	<u>67,512</u>	<u>54,346</u>
	<u>\$ 75,698</u>	<u>\$ 62,501</u>

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 76,304</u>	<u>\$ 42,523</u>
Non-current	<u>\$ 183,416</u>	<u>\$ 176,331</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2022	2021
Land	1.45%	1.45%
Buildings	1.45%	1.45%

c. Material lease-in activities and terms

The Company leases certain land and buildings for the use of plants and offices with lease terms of 2 to 20 years. The lease contract for land specifies that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 1,058	\$ 604
Expenses relating to low-value asset leases	\$ 2,441	\$ 2,242
Total cash outflow for leases	\$ (81,691)	\$ (67,603)

The Company's leases of certain equipment qualify as short-term leases and low-value asset 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. PREPAYMENTS FOR MACHINERY AND EQUIPMENT

The aging of prepayments for machinery and equipment is as follows:

The Date of Initial Cost Contribution	December 31	
	2022	2021
Within 1 year	\$ 330,216	\$ 505,447
1-2 years	234,461	148,769
2-5 years	374,923	643,629
More than 5 years	<u>108,069</u>	<u>74,354</u>
	<u>\$ 1,047,669</u>	<u>\$ 1,372,199</u>

In order to maintain key manufacturing technologies, reduce product costs and improve automation of the equipment, the Company designed, developed, and assembled the equipment by itself. The abovementioned prepayments for machinery and equipment include both internally-developed and outsourced equipment.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 26)</u>		
Loans for export sales	\$ -	\$ 940,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>-</u>	<u>1,000,000</u>
	<u>\$ -</u>	<u>\$ 1,940,000</u>
<u>Rate of interest per annum (%)</u>		
Loans for export sales	-	0.61
Line of credit borrowings	-	0.71-0.80

b. Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings</u> (Note 26)		
Secured loans	\$ 3,316,590	\$ 3,687,269
<u>Unsecured borrowings</u>		
Unsecured loans	<u>2,873</u>	<u>202,859</u>
	3,319,463	3,890,128
Less: Current portion	<u>(472,893)</u>	<u>(475,347)</u>
Long-term borrowings	<u>\$ 2,846,570</u>	<u>\$ 3,414,781</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	1.02-1.91	0.36-1.17
Unsecured loans	1.07	0.70-0.93

In August 2019, the Company received a qualification letter for the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan from the Ministry of Economic Affairs, and therefore received the subsidy for processing fee of long-term borrowings. As of December 31, 2022, \$23,500 thousand was drawn down for the purchase of machinery and equipment and the use of operating capital. The Company recognized \$501 thousand as a government grant, which is the difference between the loan amount obtained at a lower-than-market interest rate and the fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the asset.

16. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	\$ 780,157	\$ 772,800
Payables for compensation of employees	381,681	297,411
Payables for remuneration of directors	190,841	148,706
Payables for annual leave	124,874	127,342
Payables for purchases of building and equipment	16,702	15,993
Others	<u>252,615</u>	<u>252,693</u>
	<u>\$ 1,746,870</u>	<u>\$ 1,614,945</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 321,822	\$ 353,684
Fair value of plan assets	<u>(152,907)</u>	<u>(154,497)</u>
Net defined benefit liabilities	<u>\$ 168,915</u>	<u>\$ 199,187</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ 353,684	\$ (154,497)	\$ 199,187
Service cost			
Current service cost	1,486	-	1,486
Past service cost	-	-	-
Net interest expense (income)	<u>2,448</u>	<u>(1,074)</u>	<u>1,374</u>
Recognized in profit or loss	<u>3,934</u>	<u>(1,074)</u>	<u>2,860</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,197)	(11,197)
Actuarial loss - changes in demographic assumptions	660	-	660
Actuarial gain - changes in financial assumptions	(7,406)	-	(7,406)
Actuarial gain - experience adjustments	<u>(1,675)</u>	<u>-</u>	<u>(1,675)</u>
Recognized in other comprehensive income	<u>(8,421)</u>	<u>(11,197)</u>	<u>(19,618)</u>
Contributions from the employer	-	(13,514)	(13,514)
Benefits paid	<u>(27,375)</u>	<u>27,375</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 321,822</u>	<u>\$ (152,907)</u>	<u>\$ 168,915</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 373,605	\$ (110,358)	\$ 263,247
Service cost			
Current service cost	1,963	-	1,963
Past service cost	(411)	-	(411)
Net interest expense (income)	1,293	(382)	911
Recognized in profit or loss	<u>2,845</u>	<u>(382)</u>	<u>2,463</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,691)	(1,691)
Actuarial loss - changes in demographic assumptions	1,180	-	1,180
Actuarial gain - changes in financial assumptions	(13,040)	-	(13,040)
Actuarial loss - experience adjustments	<u>5,321</u>	<u>-</u>	<u>5,321</u>
Recognized in other comprehensive income	<u>(6,539)</u>	<u>(1,691)</u>	<u>(8,230)</u>
Contributions from the employer	-	(58,293)	(58,293)
Benefits paid	<u>(16,227)</u>	<u>16,227</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 353,684</u>	<u>\$ (154,497)</u>	<u>\$ 199,187</u>

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

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

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

	December 31	
	2022	2021
Discount rates	1.05%	0.70%
Expected rates of salary increase	2.00%	2.00%

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Discount rate		
0.25% increase	\$ (5,114)	\$ (9,043)
0.25% decrease	\$ 5,290	\$ 9,377
Expected rate of salary increase/decrease		
0.25% increase	\$ 5,445	\$ 9,232
0.25% decrease	\$ (4,861)	\$ (8,952)

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Expected contributions to the plan for the next year	\$ 13,513	\$ 5,894
Average duration of the defined benefit obligation	11.5 years	10 years

18. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>353,792</u>	<u>340,792</u>
Shares issued	<u>\$ 3,537,923</u>	<u>\$ 3,407,923</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On May 10, 2022, the Company's board of directors resolved to issue 13,000 thousand ordinary shares, with a par value of \$10, for a consideration of \$160 per share. On June 24, 2022, the above transaction was approved by the SFB and FSC and the subscription base date set August 30, 2022 as determined by the board of directors.

According to the Company Act, the issuance of ordinary shares shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS 2 "Share-based Payment", the Company recognized salary expense and capital surplus amounted to \$18,265 thousand in 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	\$ 7,469,101	\$ 5,509,020
Invalid employee shares	<u>10,634</u>	<u>7,450</u>
	<u>\$ 7,479,735</u>	<u>\$ 5,516,470</u>

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

c. Retained earnings and dividends policy

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 offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed as dividends, where the dividends distributed should not exceed 6% of the remaining profit. The Company's profit may be distributed in the form of cash or share dividends; however, the ratio of share dividends distributed shall not exceed two-thirds of the Company's total amount of dividends and bonuses distributed to shareholders. A distribution plan is also to be made by the board of directors and should be resolved in the shareholder's meeting. The dividends could be distributed in whole or in part by cash after the resolution has been passed by more than half of the directors present at the meeting of the board of directors, in which at least two-thirds of the total number of directors should be present. In addition, a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19-c.

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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Legal reserve	\$ 318,548	\$ 179,002		
Cash dividends	1,533,565	661,733	\$ 4.5	\$ 2
Share dividends	-	99,260	-	0.3

The appropriations of cash dividends for 2021 and 2020 had been proposed by the board of directors on February 25, 2022 and March 23, 2021, respectively, the other appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings on June 27, 2022 and July 26, 2021, respectively.

The appropriation of earnings for 2022 had been proposed by the Company's board of directors on February 24, 2023, was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 431,207	
Cash dividends	1,945,857	\$ 5.5

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in their meeting to be held on May 31, 2023.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 53,447	\$ 64,939
Interest on lease liabilities	<u>3,844</u>	<u>3,482</u>
	<u>\$ 57,291</u>	<u>\$ 68,421</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest	\$ 8,545	\$ 5,769
Capitalization rates (%)	1.10-1.72	1.10-1.20

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Short-term employee benefits			
Salary	\$ 3,025,034	\$ 1,198,943	\$ 4,223,977
Labor and health insurance	294,181	76,870	371,051
Post-employment benefits			
Defined contribution plans	124,317	36,974	161,291
Defined benefit plans (Note 17)	2,627	233	2,860
Remuneration of directors	-	199,901	199,901
Other employee benefits	152,178	44,925	197,103
Depreciation expenses	1,487,614	175,127	1,662,741
Amortization expenses	1,939	914	2,853

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2021</u>			
Short-term employee benefits			
Salary	\$ 3,268,443	\$ 997,747	\$ 4,266,190
Labor and health insurance	286,431	70,895	357,326
Post-employment benefits			
Defined contribution plans	122,811	32,951	155,762
Defined benefit plans (Note 17)	2,276	187	2,463
Remuneration of directors	-	150,146	150,146
Other employee benefits	138,004	32,086	170,090
Depreciation expenses	1,453,971	195,198	1,649,169
Amortization expenses	2,847	1,045	3,892

For the years ended December 31, 2022 and 2021, the Company had an average of 4,782 and 4,766 employees, respectively. There were 7 directors and 6 directors who did not serve concurrently as employees, respectively. The headcounts were based on those used in the calculation of employee benefit expense.

For the years ended December 31, 2022 and 2021, the average of employee benefits expense was \$1,038 thousand and \$1,040 thousand, respectively, and the average of employee salaries was \$885 thousand and \$896 thousand, respectively, and the change in the average employee salaries was -1%.

The Company did not have any supervisors for the years ended December 31, 2022 and 2021; therefore, there is no remuneration for supervisors.

The annual salary provided by the Company to employees is higher than the industry average, and the salary of new employees in Taiwan and around the world is higher than the local minimum salary. Adhering to the concept of equal pay for equal work and retaining employees, all assessments are taken into consideration. Through new assessments, quarterly assessments, year-end assessments, and project assessments, the Company encourages and rewards the contributions of outstanding employees. Payment of different bonuses is also a key feature of the reward scheme; for example, the lifetime premium system, which is the new technology developed by employees to make more profits. The Company will regularly pay bonuses equivalent to the authorization fee to employees, so that employees and the Company can share their achievements.

In addition, the managers of the Company are regarded as ordinary employees receiving salaries, and various bonuses, dividends and benefits are paid according to the operation and profit status, taking into account the Company's operating results and the scope of management and responsibility of each manager in the Company. The condition and the results of the annual performance evaluation are given reasonable remuneration; the policy for remuneration of managers is based on the Company's salary scale, salary treatment method and the scope of rights and responsibilities of the position in the Company and the contribution to the Company's operating performance for the payment of dividends, year-end bonuses and other remuneration.

The Company sets the remuneration procedures for directors, which is based on director's performance evaluation and remuneration system, board performance evaluation method and manager's performance evaluation and bonus system as the basis of evaluation; In addition to the Company's overall operating performance, future risks and development trends of the industry, it also refers to the results obtained from the performance evaluation standards and its contribution to the Company which pays reasonable remuneration; the remuneration of the general manager and deputy general manager is based on salary and various treatment procedures and takes into account the relevance of the manager's performance and the Company's overall business performance and future risks, and the salary and compensation committee will make recommendations to the board of directors for resolution, based on the actual operating conditions and relevant regulations of the remuneration system to balance the Company's sustainable operation and risk control measures.

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4%, respectively, of net profit before income tax, compensation of employees, and the remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on February 24, 2023 and February 25, 2022, respectively, were as follows:

Cash	For the Year Ended December 31			
	2022		2021	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	6.2%	\$ 381,681	6.0%	\$ 297,411
Remuneration of directors	3.1%	190,841	3.0%	148,706

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

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

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

20. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 900,485	\$ 1,070,862
Income tax on unappropriated earnings	66,553	28,293
Adjustments for prior years	7,147	4,168
Deferred tax		
In respect of the current year	<u>170,950</u>	<u>(104,167)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,145,135</u>	<u>\$ 999,156</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 1,124,903	\$ 906,277
Non-deductible expenses in determining taxable income	1,222	420
Others	(4,037)	(8,740)
Income tax on unappropriated earnings	84,217	48,785
Investment tax credits used	<u>(127,265)</u>	<u>(108,461)</u>
Current tax	1,079,040	838,281
Unrecognized deductible temporary differences	58,948	156,707
Adjustments for prior years' tax	<u>7,147</u>	<u>4,168</u>
Income tax expense recognized in profit or loss	<u>\$ 1,145,135</u>	<u>\$ 999,156</u>

b. Income tax expense (gain) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 54,727	\$ (65,558)
Remeasurement of defined benefit plans	<u>3,924</u>	<u>1,646</u>
	<u>\$ 58,651</u>	<u>\$ (63,912)</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 289,703	\$ 1,417	\$ -	\$ 291,120
Defined benefit obligations	23,077	-	(3,924)	19,153
Allowance for inventory devaluation	82,531	3,069	-	85,600
Impairment loss on financial assets	4,071	-	-	4,071
Payables for annual leave	25,468	(493)	-	24,975
Financial liabilities at FVTPL	-	906	-	906
Provisions	4,553	88	-	4,641
Exchange differences on foreign operations	149,838	-	(54,727)	95,111
Unrealized loss on foreign currency exchange	5,330	(5,330)	-	-
Others	<u>6,873</u>	<u>(6,845)</u>	<u>-</u>	<u>28</u>
	<u>\$ 591,444</u>	<u>\$ (7,188)</u>	<u>\$ (58,651)</u>	<u>\$ 525,605</u>

For the Year Ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 635,153	\$ 148,322	\$ -	\$ 783,475
Gain from bargain purchase	9,254	-	-	9,254
Unrealized gain on foreign currency exchange	-	15,503	-	15,503
Financial assets at FVTPL	<u>63</u>	<u>(63)</u>	<u>-</u>	<u>-</u>
	<u>\$ 644,470</u>	<u>\$ 163,762</u>	<u>\$ -</u>	<u>\$ 808,232</u>

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 97,960	\$ 191,743	\$ -	\$ 289,703
Defined benefit obligations	24,723	-	(1,646)	23,077
Allowance for inventory devaluation	63,400	19,131	-	82,531
Impairment loss on financial assets	4,071	-	-	4,071
Payables for annual leave	21,395	4,073	-	25,468
Financial liabilities at FVTPL	1,440	(1,440)	-	-
Provisions	3,192	1,361	-	4,553
Exchange differences on foreign operations	84,280	-	65,558	149,838
Unrealized loss on foreign currency exchange	-	5,330	-	5,330
Others	<u>31</u>	<u>6,842</u>	<u>-</u>	<u>6,873</u>
	<u>\$ 300,492</u>	<u>\$ 227,040</u>	<u>\$ 63,912</u>	<u>\$ 591,444</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 491,005	\$ 144,148	\$ -	\$ 635,153
Gain from bargain purchase	9,254	-	-	9,254
Unrealized gain on foreign currency exchange	21,338	(21,338)	-	-
Financial assets at FVTPL	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>
	<u>\$ 521,597</u>	<u>\$ 122,873</u>	<u>\$ -</u>	<u>\$ 644,470</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Investment loss	<u>\$ 3,384,874</u>	<u>\$ 3,090,137</u>

- e. Income tax assessments

The tax returns of the Company through 2020 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net Profit	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Profit for the year	\$ 4,479,381	345,209	<u>\$12.98</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	_____ -	<u>2,258</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 4,479,381</u>	<u>347,467</u>	<u>\$12.89</u>
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year	\$ 3,532,230	340,792	<u>\$10.36</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	_____ -	<u>1,053</u>	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 3,532,230</u>	<u>341,845</u>	<u>\$10.33</u>

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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 earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On December 30, 2022, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 85% to 89%, and recognized a decrease of \$190,861 thousand in retained earnings.

On June 24, 2021 and December 30, 2021, the Company subscribed for additional new shares of Eterbright at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 74% to 85%, and recognized a decrease of \$86,057 thousand in capital surplus and a decrease of \$350,958 thousand in retained earnings.

On January 8, 2021 and May 10, 2021, the Company subscribed for additional new shares of Matrix Precision at a percentage different from its existing ownership percentage, thereby decreasing its continuing interest from 51% to 50%, and recognized \$1,959 thousand in capital surplus.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

23. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Company has to maintain an appropriate amount of capital. Therefore, the Company manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development fees, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

Key management personnel of the Company review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

The Company's financial assets and liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs and Level 3 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 228	\$ 2,895
Financial assets at amortized cost (1)	8,192,191	8,702,433
Financial assets at FVTOCI		
Equity instruments	846,591	1,466,280
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	4,757	2,580
Financial liabilities at amortized cost (2)	7,590,209	11,137,243

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost - non-current and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables (including from related parties), other payables, long-term borrowings (including those due within one year) and guarantee deposits received.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities and borrowings. The Company's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by the audit committee and the board of directors in accordance with procedures required by relevant regulations and internal controls.

1) Market risk

The Company entered into some derivative financial instruments, mainly forward foreign exchange contracts, to manage its exposure to foreign currency risk arising on translation of sales and receivables from the export of precision component to USA, Germany, Japan and China.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operating activities and net investment in foreign operations are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes foreign exchange forward contracts to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

Since the Company's net investments in foreign operations are held for strategic purposes, they are not hedged.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the USD, EUR, JPY and RMB.

The sensitivity analysis of foreign currency risk used when reporting foreign currency risk internally to key management personnel mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had increased by 1% against the relevant foreign currency, the post-tax profit for the years ended December 31, 2022 and 2021 would have decreased by \$38,507 thousand and \$54,065 thousand, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates.

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.

	December 31	
	2022	2021
Fair value interest rate risk		
Deposits in bank	\$ 480,986	\$ 365,765
Lease liabilities	259,720	218,854
Cash flow interest rate risk		
Deposits in bank	3,798,319	1,662,010
Short-term borrowings	-	1,940,000
Long-term borrowings	3,319,463	3,890,128

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2022 and 2021 would have increased by \$3,831 thousand and decreased by \$33,345 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the reporting period, the counterparties are all creditworthy organizations; thus, no significant credit risk is expected.

The counterparties of the Company's trade receivables cover a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of the counterparties of trade receivables.

The Company's credit risk by geographical locations was mainly concentrated in Asia, which accounted for both 65% of the total trade receivables as of December 31, 2022 and 2021.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized bank loan facilities of \$10,572,056 thousand and \$8,171,041 thousand, respectively.

The following table details the Company's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	5+ Years
<u>December 31, 2022</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 4,267,996	\$ -	\$ -
Lease liabilities	80,238	113,404	81,924
Variable interest rate liabilities	<u>472,893</u>	<u>1,705,584</u>	<u>1,140,986</u>
	<u>\$ 4,821,127</u>	<u>\$ 1,818,988</u>	<u>\$ 1,222,910</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 4,757</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Non-interest bearing	\$ 5,302,515	\$ -	\$ -
Lease liabilities	46,101	94,510	95,142
Variable interest rate liabilities	<u>2,415,347</u>	<u>1,895,594</u>	<u>1,519,187</u>
	<u>\$ 7,763,963</u>	<u>\$ 1,990,104</u>	<u>\$ 1,614,329</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$ -</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
<u>December 31, 2022</u>				
Lease liabilities	\$ 80,238	\$ 113,404	\$ 45,513	\$ 36,411
Variable interest rate liabilities	<u>472,893</u>	<u>1,705,584</u>	<u>1,034,055</u>	<u>106,931</u>
	<u>\$ 553,131</u>	<u>\$ 1,818,988</u>	<u>\$ 1,079,568</u>	<u>\$ 143,342</u>
<u>December 31, 2021</u>				
Lease liabilities	\$ 46,101	\$ 94,510	\$ 49,485	\$ 45,657
Variable interest rate liabilities	<u>2,415,347</u>	<u>1,895,594</u>	<u>1,196,552</u>	<u>322,635</u>
	<u>\$ 2,461,448</u>	<u>\$ 1,990,104</u>	<u>\$ 1,246,037</u>	<u>\$ 368,292</u>

25. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Hiwin Germany	Subsidiary
Hiwin USA	Subsidiary
Hiwin Japan	Subsidiary
Eterbright	Subsidiary
Hiwin Singapore	Subsidiary
Hiwin Korea	Subsidiary
Hiwin China	Subsidiary
Matrix Precision	Subsidiary
Hiwin Healthcare Corp.	Subsidiary
Hiwin Italy	Subsidiary
Matrix	Subsidiary
Hiwin Schweiz	Subsidiary
Suzhou Matrix Precision Machinery Co., Ltd. ("Suzhou Matrix")	Sub-subsubsidiary
Mega-Fabs Motion Systems Ltd. (Mega-Fabs)	Associate
Hiwin Mikrosystem	Other related party
Hiwin Investment and Holding Corporation (Hiwin Investment Corporation)	Other related party
Hiwin Technologies Foundation in Education (Hiwin Education Foundation)	Other related party

b. Operating transactions

	For the Year Ended December 31	
	2022	2021
1) Sales of goods		
Hiwin China	\$ 4,345,534	\$ 4,323,908
Subsidiaries	4,502,756	5,199,382
Other related parties	<u>99,248</u>	<u>103,109</u>
	<u>\$ 8,947,538</u>	<u>\$ 9,626,399</u>

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing.

	For the Year Ended December 31	
	2022	2021
2) Purchases of goods		
Other related parties	\$ 191,329	\$ 172,926
Subsidiaries	18,326	19,584
Sub-subsubsidiaries	<u>32</u>	<u>-</u>
	<u>\$ 209,687</u>	<u>\$ 192,510</u>

The products purchased from related parties and those from third parties are not the same, therefore, their prices are not comparable.

	For the Year Ended December 31	
	2022	2021
3) Other operating transactions		
Non-operating income - dividend income (classified as other income)		
Hiwin Mikrosystem	<u>\$ 9,526</u>	<u>\$ 2,829</u>
Non-operating income - other income		
Subsidiaries	\$ 53,736	\$ 57,292
Other related parties	<u>1,086</u>	<u>413</u>
	<u>\$ 54,822</u>	<u>\$ 57,705</u>
Manufacturing and operating expenses		
Subsidiaries	\$ 11,019	\$ 8,656
Other related parties	<u>48,641</u>	<u>9,619</u>
	<u>\$ 59,660</u>	<u>\$ 18,275</u>
Operating expenses - donations		
Hiwin Education Foundation	<u>\$ 4,000</u>	<u>\$ 13,000</u>

	<u>December 31</u>	
	2022	2021
4) Trade receivables		
Hiwin China	\$ 698,995	\$ 1,686,443
Hiwin Japan	515,387	568,908
Hiwin Italy	489,973	713,740
Hiwin Germany	421,275	976,788
Subsidiaries	<u>388,892</u>	<u>450,428</u>
	<u>\$ 2,514,522</u>	<u>\$ 4,396,307</u>
5) Other receivables (classified as other current assets)		
Subsidiaries	<u>\$ 3,566</u>	<u>\$ 5,814</u>
6) Trade payables		
Other related parties	\$ 56,835	\$ 28,256
Subsidiaries	<u>7,507</u>	<u>9,747</u>
	<u>\$ 64,342</u>	<u>\$ 38,003</u>
7) Other payables		
Other related parties	\$ 4,810	\$ 659
Subsidiaries	<u>2,565</u>	<u>191</u>
	<u>\$ 7,375</u>	<u>\$ 850</u>
8) Prepayments for machinery and equipment		
Subsidiaries	<u>\$ 33,074</u>	<u>\$ 44,479</u>
c. Loans to related parties		
	<u>December 31</u>	
	2022	2021
<u>Other receivables (classified as other current assets)</u>		
Hiwin Japan	<u>\$ 212,693</u>	<u>\$ 32,187</u>
	<u>For the Year Ended December 31</u>	
	2022	2021
<u>Interest income</u>		
Subsidiaries	<u>\$ 1,533</u>	<u>\$ 2,139</u>

The Company provided Hiwin Japan and Hiwin Italy with short-term loans at rates comparable to market interest rates.

d. Acquisition of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
	2022	2021
Subsidiaries	\$ 36,566	\$ 28,658
Other related parties	<u>1,566</u>	<u>2,100</u>
	<u>\$ 38,132</u>	<u>\$ 30,758</u>

e. Lease arrangements

Lease arrangements represented the lease prices of the Company's factory. The lease prices were determined in accordance with mutual agreements and were based on the market price of the nearby factories and the lease area. The rental expenses were paid monthly.

	For the Year Ended December 31	
	2022	2021
<u>Acquisition of right-of-use assets</u>		
Other related parties	<u>\$ 31,246</u>	<u>\$ 18,533</u>

	December 31	
	2022	2021
<u>Lease liabilities</u>		
Other related parties	<u>\$ 26,746</u>	<u>\$ 12,942</u>

	For the Year Ended December 31	
	2022	2021
<u>Finance costs</u>		
Other related parties	<u>\$ 445</u>	<u>\$ 209</u>

f. Endorsements and guarantees

For the information about the endorsements and guarantees for subsidiaries given by the Company as of December 31, 2022, is disclosed in Table 2.

g. Acquisition of additional interests in related parties

	For the Year Ended December 31	
	2022	2021
Eterbright	\$ 1,599,000	\$ 1,740,112
Matrix Precision	-	419,420
Subsidiaries	<u>94,250</u>	<u>215,282</u>
	<u>\$ 1,693,250</u>	<u>\$ 2,374,814</u>

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 300,370	\$ 247,582
Post-employment benefits	542	542
Share-based payments	<u>927</u>	<u>-</u>
	<u>\$ 301,839</u>	<u>\$ 248,124</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral for short-term and long-term bank loans:

	December 31	
	2022	2021
Property, plant and equipment	<u>\$ 15,318,423</u>	<u>\$ 15,649,930</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$100,112 thousand and \$228,832 thousand, respectively.
- b. As of December 31, 2022 and 2021, commitment for acquisition of property, plant and equipment amounted to \$3,074,985 thousand and \$1,001,422 thousand, respectively.

28. 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 currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 34,577	30.710	\$1,061,873	\$ 34,352	27.680	\$ 950,861
EUR	39,068	32.72	1,278,317	64,184	31.32	2,010,258
JPY	3,766,485	0.2324	875,331	2,904,559	0.2405	698,546
RMB	441,333	4.408	1,945,395	812,416	4.344	3,529,135

(Continued)

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Non-monetary items						
USD	\$ 34,593	30.710	\$1,062,360	\$ 29,859	27.680	\$ 826,491
EUR	89,873	32.72	2,940,642	76,481	31.32	2,395,395
ILS	24,542	8.647	212,213	16,961	8.955	151,888
RMB	570,806	4.408	2,516,115	501,930	4.344	2,180,386
JPY	310,096	0.2324	72,066	495,621	0.2405	119,197
GBP	6,802	37.09	252,294	6,134	37.30	228,787
CHF	9,221	33.21	306,213	7,886	30.18	237,999
SGD	3,194	22.88	73,077	2,004	20.46	40,993

Financial liabilities

Monetary items

USD	\$ 3,490	30.710	\$ 107,165	\$ 6,593	27.680	\$ 182,495
EUR	2,664	32.72	87,161	3,197	31.32	100,143
JPY	630,770	0.2324	146,591	561,200	0.2405	134,969
RMB	1,490	4.408	6,566	3,014	4.344	13,093

Non-monetary items

KRW	2,702,409	0.02457	66,398	984,072	0.0235	23,126
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The significant (realized and unrealized) foreign exchange gain (loss) were as follows:

	For the Year Ended December 31				
	2022			2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
USD	29.805	\$ 106,716	28.009	\$ (10,499)	
JPY	0.2275	(2,558)	0.2554	(49,666)	
EUR	31.36	87,713	33.16	(99,892)	
RMB	4.422	<u>131,921</u>	4.341	<u>6,535</u>	
		<u>\$ (323,792)</u>		<u>\$ (153,522)</u>	

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)
 - 6) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 7) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
 - 8) Trading in derivative instruments. (Notes 7 and 24)
 - 9) Information on investees. (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (None)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Company	Hiwin Japan	Other receivables from related parties	Yes	\$ 225,012	\$ 212,693	\$ 212,693	1.9133%	1	Sales \$801,653	-	\$ -	-	\$ -	\$ 5,212,700	\$ 10,425,399

Note 1: The total amount for lending to a single company shall not exceed 15% of the net assets of the Company based on its latest financial statements. For financing provided by the Company due to business dealings, other than the aforementioned restrictions, the amount of financing is also limited to the higher of the total purchase or sales amount between the 2 parties within 1 year from the date of financing or in the most recent year based on the principle that business transactions have already occurred between the two parties.

Note 2: The nature of financing is numbered as follows:

1. A company that has business dealings with the lender.
2. A company with short-term financing needs.

Note 3: The total amount of the Company's accumulated financing provided should not exceed 30% of the Company's net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Notes 1 and 2)	Maximum Amount Endorsed/Guaranteed During the Year (Note 4)	Outstanding Endorsement/Guarantee at the End of the Year (Notes 4 and 5)	Actual Amount Borrowed (Note 5)	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit (Notes 2 and 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										
0	The Company	Matrix	Subsidiary	\$ 3,475,133	\$ 75,240 (GBP 2,000)	\$ 74,180 (GBP 2,000)	\$ -	\$ -	0.2	\$ 12,162,966	Yes	-	-
0	The Company	Hiwin Italy	Subsidiary	3,475,133	922,704 (EUR 28,200)	922,704 (EUR 28,200)	245,852 (EUR 7,514)	-	2.7	12,162,966	Yes	-	-
0	The Company	Eterbright	Subsidiary	3,475,133	1,950,000	-	-	-	-	12,162,966	Yes	-	-
0	The Company	Hiwin Singapore	Subsidiary	3,475,133	193,290 (USD 6,000)	184,260 (USD 6,000)	-	-	0.5	12,162,966	Yes	-	-
0	The Company	Hiwin Korea	Subsidiary	3,475,133	386,580 (USD 12,000)	368,520 (USD 12,000)	133,589 (USD 4,350)	-	1.1	12,162,966	Yes	-	-
0	The Company	Hiwin Japan	Subsidiary	3,475,133	2,958,108 (JPY 13,588,000)	1,628,659 (JPY 7,008,000)	1,512,459 (JPY 6,508,000)	-	4.7	12,162,966	Yes	-	-
0	The Company	Matrix Precision	Subsidiary	3,475,133	950,000	950,000	500,000	-	2.7	12,162,966	Yes	-	-
1	Matrix Precision	Hiwin Mikrosystem	Other related party	2,053,575	288,000	288,000	-	-	141.3	2,053,575	No	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Company's net assets as shown in its most recent financial statements. If approved by the board of directors, the amount of endorsements/guarantees provided by the Company for its subsidiaries is not subject to the foregoing limitations; however, it must not exceed 50% of the Company's net assets in its most recent financial statements.

Note 2: The limit on the endorsements/guarantees provided for a single enterprise is 10% of Matrix Precision's net assets as shown in its most recent financial statements. The aggregate endorsement/guarantee limit is 35% of Matrix Precision's net assets as shown in its most recent financial statements. Because both applicants have signed a contract for mutual insurance, the amount of endorsements/guarantees provided by Matrix Precision is not subject to the foregoing limitations; however, it must not exceed 300% of Matrix Precision's higher amounts of paid-in capital or net assets in its most recent financial statements.

Note 3: The aggregate endorsement/guarantee limit is 35% of the Corporation's net assets as shown in its latest financial statements.

Note 4: The ending balance has been approved by the board of directors.

Note 5: The amounts denominated in foreign currencies were translated into the New Taiwan dollar at the exchange rate prevailing at the end of last month.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Government bond</u> Central Government Bond 2012-1	-	Financial assets at amortized cost - non-current	-	\$ 2,873	-	\$ 2,873	
	<u>Shares</u> Hiwin Mikrosystem	Other related party	Financial assets at FVTOCI - non-current	9,525,676	660,129	8	660,129	
	Ever Fortune.	-	Financial assets at FVTOCI - non-current	2,573,000	182,812	3	182,812	
	Taichung International Country Club	-	Financial assets at FVTOCI - non-current	1	3,650	-	3,650	
	Sunengine	-	Financial assets at FVTOCI - non-current	588,149	-	10	-	
	King Kong Iron Work Ltd.	-	Financial assets at FVTOCI - non-current	76,300	-	-	-	

Note: For information on the investments in subsidiaries and associates, see Tables 8 and 9.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICE AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Others	Shares	Amount
The Company	Shares	Investments accounted for using the equity method	Eterbright	Subsidiary	345,460,592	\$ (123,039)	159,900,000	\$ 1,599,000	-	\$ -	\$ -	\$ -	\$ (484,995) (Note)	505,360,592	\$ 990,966

Note: Including investment loss accounted for using the equity method of \$(294,738) thousand, realized gross profit of \$604 thousand and a decrease in net assets of \$(190,861) thousand from subscribing to additional new shares at a percentage different from its existing ownership percentage.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Yunlin Technology Third Factory	2022.5.10	\$ 398,000	\$ 147,260	Ruiying Construction Co., Ltd.	None	-	-	-	\$ -	Vendor bidding	Plant construction	-
The Company	Yunlin Technology Third Factory	2022.5.10	370,000	48,100	Ou Dyi Electric Technique Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	Yunlin Technology Third Factory	2022.5.10	180,000	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	First Factory	2022.7.5	410,000	8,200	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	Second Factory	2022.8.10	480,000	13,200	Lee Ming Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	First Factory	2022.11.7	381,700	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
The Company	Second Factory	2022.11.7	363,300	-	Dah Yea Electrical Engineering Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
Matrix Precision	Fongshan Industrial Park Factory	2022.11.7	642,447	-	Fu Tai Construction Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-
Matrix Precision	Fongshan Industrial Park Factory	2022.12.23	385,560	-	Chyi Ding Technologies Co., Ltd.	None	-	-	-	-	Vendor bidding	Plant construction	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO 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)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Hiwin China	Subsidiary	Sale	\$ (4,345,534)	(19)	O/A 90-120 days	\$ -	-	\$ 698,995	18	Note
	Hiwin Germany	Subsidiary	Sale	(1,678,140)	(8)	O/A 90 days	-	-	421,275	11	
	Hiwin Japan	Subsidiary	Sale	(801,653)	(4)	O/A 150 days	-	-	515,387	14	
	Hiwin Italy	Subsidiary	Sale	(728,256)	(3)	O/A 180 days	-	-	489,973	13	
	Hiwin USA	Subsidiary	Sale	(641,689)	(3)	O/A 120 days	-	-	144,787	4	
	Hiwin Korea	Subsidiary	Sale	(304,948)	(1)	O/A 180 days	-	-	164,790	4	
	Hiwin Singapore	Subsidiary	Sale	(164,195)	(1)	O/A 120 days	-	-	43,164	1	
	Hiwin Schweiz	Subsidiary	Sale	(158,494)	(1)	O/A 60 days	-	-	25,720	1	
	Hiwin Mikrosystem	Other related party	Purchase	191,329	2	O/A 90 days	-	-	(56,835)	(1)	
	Hiwin China	The Corporation	Parent company	Purchase	4,345,534	98	O/A 90-120 days	-	-	(698,995)	
Hiwin Germany	The Corporation	Parent company	Purchase	1,678,140	66	O/A 90 days	-	-	(421,275)	(64)	
	Hiwin Mikrosystem	Other related party	Purchase	420,584	17	O/A 90 days	-	-	(99,330)	(15)	
	Hiwin S.R.O	Other related party	Sale	(204,290)	(5)	O/A 45 days	-	-	16,354	8	
Hiwin Japan	The Corporation	Parent company	Purchase	801,653	79	O/A 150 days	-	-	(515,387)	(91)	
Hiwin Italy	The Corporation	Parent company	Purchase	728,256	90	O/A 180 days	-	-	(489,973)	(89)	
Hiwin USA	The Corporation	Parent company	Purchase	641,689	74	O/A 120 days	-	-	(144,787)	(81)	
	Hiwin Mikrosystem	Other related party	Purchase	124,505	14	O/A 90 days	-	-	(19,753)	(11)	
Hiwin Korea	The Corporation	Parent company	Purchase	304,948	92	O/A 180 days	-	-	(164,790)	(94)	
Hiwin Singapore	The Corporation	Parent company	Purchase	164,195	69	O/A 120 days	-	-	(43,164)	(78)	
Hiwin Schweiz	The Corporation	Parent company	Purchase	158,494	64	O/A 60 days	-	-	(25,720)	(53)	

Note: Unrealized gains from Hiwin China totaled \$259,117 thousand.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
The Company	Hiwin Japan	Subsidiary	Trade receivables from related parties	\$ 515,387	1.48	\$ -	-	\$ -	\$ -
			Other receivables from related parties	214,415	-	-	-	101,651	-
	Hiwin Germany	Subsidiary	Trade receivables from related parties	421,275	2.40	-	-	159,883	-
			Hiwin Italy	Subsidiary	Trade receivables from related parties	489,973	1.21	-	-
	Hiwin China	Subsidiary	Trade receivables from related parties	698,995	3.64	-	-	471,369	-
	Hiwin USA	Subsidiary	Trade receivables from related parties	144,787	3.83	-	-	47,456	-
	Hiwin Korea	Subsidiary	Trade receivables from related parties	164,790	1.84	-	-	44,127	-

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

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	Hiwin Germany	Germany	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 224,257	\$ 224,257	-	100	\$ 2,019,545	\$ 283,750	\$ 283,750	Subsidiary
	Hiwin USA	United States of America	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	353,844	353,844	2,148,000	100	893,296	141,144	141,144	Subsidiary
	Hiwin Japan	Japan	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	918,602	918,602	62,200	100	(9,156)	(42,207)	(42,207)	Subsidiary
	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	42,444	42,444	240,000	40	245,042	163,888	65,556	Investment accounted for using the equity method
	Eterbright	Taiwan	Research, development, design, manufacture and sale of solar cell, electronic components, electric power supply, electric transmission and power distribution machinery products	6,322,668	4,723,668	505,360,592	89	990,966	(346,419)	(294,738)	Subsidiary
	Hiwin Singapore	Singapore	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	117,550	117,550	5,000,000	100	53,389	25,736	25,736	Subsidiary
	Hiwin Korea	Korea	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	242,707	242,707	1,760,000	100	(102,815)	(40,037)	(40,037)	Subsidiary
	Matrix Precision	Taiwan	Research, development, production, manufacture and sale of gear cutting tools and machinery	1,022,664	1,022,664	34,294,075	50	270,693	(221,645)	(116,228)	Subsidiary
	Hiwin Healthcare Corp.	Samoa	Sale of medical robots	3,108	3,108	100,000	100	2,836	(32)	(32)	Subsidiary
	Hiwin Italy	Italy	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	296,580	296,580	-	100	108,189	130,600	130,600	Subsidiary
	Matrix	United Kingdom	Design integrated application, research, development, manufacture and sale of thread forming machinery	630,154	535,904	6,449,500	100	302,094	(67,398)	(62,650)	Subsidiary
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	266,300	266,300	243,000	81	266,747	51,404	51,404	Subsidiary
Hiwin Germany	Hiwin S.R.O.	Czech Republic	Sale of aerospace parts, ballscrews, linear guideways, and industrial robots	104 (CZK 70)	104 (CZK 70)	-	32	82,381 (EUR 2,518)	(Note 1)	(Note 1)	Investment accounted for using the equity method
	Hiwin Schweiz	Switzerland	Manufacture and sale of aerospace parts, ballscrews, linear guideways, and industrial robots	3,320 (EUR 72)	3,320 (EUR 72)	57,000	19	42,106	51,404	-	Subsidiary

Note 1: Exempted from disclosure in accordance with regulations.

Note 2: For information on investments in mainland China, see Table 9.

HIWIN TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hiwin China	Manufacture and sale of aerospace parts, ballscrews, linear guideways and industrial robots	\$ 1,498,040 (RMB 300,000)	(Note 1)	\$ 1,498,040 (RMB 300,000)	\$ -	\$ -	\$ 1,498,040 (RMB 300,000)	\$ 304,570	100	\$ 304,570 (Note 2)	\$ 2,256,997	\$ -
Suzhou Matrix	Sale of gear cutting tools and machinery	9,076 (RMB 2,000)	(Note 1)	9,076 (RMB 2,000)	-	-	9,076 (RMB 2,000)	3,595	50	(1,801) (Note 2)	1,414	-

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Company	\$ 1,498,040 (RMB 300,000)	\$ 1,498,040 (RMB 300,000)	(Note 3)
Matrix Precision	\$ 9,076 (RMB 2,000)	\$ 9,076 (RMB 2,000)	\$ 122,334 (Note 3)

Note 1: The investment in mainland China was made directly.

Note 2: The investment gain (loss) is recognized according to the financial statements audited by the Company's independent auditors.

Note 3: Calculated in accordance with the "Regulations on Screening and Approval of Investment and Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the Company has been certified by the Industrial Development Bureau of the Ministry of Economic Affairs as an enterprise that has conformed to the scope of operations of the headquarters; therefore, there is no investment limit. The upper limit on the amount of investments in Matrix Precision is 60% of the net assets of Matrix Precision.

HIWIN TECHNOLOGIES CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Hiwin Investment Corporation	28,829,898	8.14%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.

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HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			\$ 374
Foreign currencies			<u>1,375</u>
			<u>1,749</u>
Cash in banks			
Checking accounts			97,809
Demand deposits			2,784,545
Foreign deposits			
USD	6,280	30.710	192,854
EUR	6,712	32.72	219,616
RMB	101,414	4.408	447,033
JPY	633,612	0.2324	147,251
GBP	189	37.09	<u>7,020</u>
			<u>3,896,128</u>
Cash equivalents			
Foreign time deposits			
RMB	60,000	4.408	264,480
USD	7,050	30.710	<u>216,506</u>
			<u>480,986</u>
			<u>\$ 4,378,863</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Unrelated parties	
Company 17	\$ 9,553
Company 16	4,705
Others (Note)	<u>60,756</u>
	75,014
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 75,014</u>

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company 25	\$ 163,575
Company 9	124,704
Company 22	75,824
Company 33	65,694
Others (Note)	<u>776,015</u>
	1,205,812
Less: Allowance for impairment loss	<u>-</u>
	<u>\$ 1,205,812</u>

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

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

Item	Amount	Market Price (Note 1)
Merchandise	\$ 972	\$ 972
Finished goods	879,450	1,274,542
Work in process	945,642	1,287,070
Raw materials	2,850,197	3,156,322
Inventories in transit	<u>274,721</u>	<u>274,721</u>
	<u>\$ 4,950,982</u>	<u>\$ 5,993,627</u>

Note 1: Inventories are stated at the lower of cost or net realizable.

Note 2: Inventories are not provided as collateral.

HIWIN TECHNOLOGIES CORPORATION

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

Investees	Balance, January 1, 2022		Additions		Decrease		Balance, December 31, 2022		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	
Hiwin Mikrosystem	9,525,676	\$ 1,076,401	-	\$ -	-	\$ 416,272	9,525,676	\$ 660,129	None
Ever Fortune	2,573,000	386,799	-	-	-	203,987	2,573,000	182,812	None
Taichung International Country Club	1	3,080	-	570	-	-	1	3,650	None
Sunengine	588,149	-	-	-	-	-	588,149	-	None
King Kong Iron Work Ltd.	76,300	-	-	-	-	-	76,300	-	None
		<u>\$ 1,466,280</u>		<u>\$ 570</u>		<u>\$ 620,259</u>		<u>\$ 846,591</u>	

HIWIN TECHNOLOGIES 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 Stated Otherwise)

Investees	Balance, January 1, 2022		Additions		Decrease		Change of Subsidiaries' Ownership Equity	Share of Profit (Loss) and Other Comprehensive Income (Loss) of Subsidiaries and Associates Accounted for Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Realized (Unrealized) Gain	Balance, December 31, 2022			Net Equity Value	Original Investment Cost December 31, 2022	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Ownership (%)	Amount			
Investments in subsidiaries																
Hiwin Germany	-	\$ 1,683,515	-	\$ -	-	\$ -	\$ -	\$ 283,750	\$ 110,793	\$ (58,513)	-	100	\$ 2,019,545	\$ 2,597,862	\$ 224,257	Nil
Hiwin USA	2,148,000	715,336	-	-	-	-	-	141,144	94,474	(57,658)	2,148,000	100	893,296	1,059,525	353,844	Nil
Hiwin Japan (Note)	62,200	44,350	-	-	-	-	-	(42,207)	(4,924)	(6,375)	62,200	100	(9,156)	72,066	918,602	Nil
Eterbright	345,460,592	(123,039)	159,900,000	1,599,000	-	-	(190,861)	(294,738)	-	604	505,360,592	89	990,966	1,001,088	6,322,668	Nil
Hiwin Singapore	5,000,000	19,104	-	-	-	-	-	25,736	6,349	2,200	5,000,000	100	53,389	73,077	117,550	Nil
Hiwin Korea (Note)	1,760,000	(66,630)	-	-	-	-	-	(40,037)	(3,235)	7,087	1,760,000	100	(102,815)	(66,398)	242,707	Nil
Hiwin China	-	1,826,457	-	-	-	-	-	304,570	31,159	94,811	-	100	2,256,997	2,516,115	1,498,040	Nil
Matrix Precision	34,294,075	384,280	-	-	-	-	-	(113,926)	5	334	34,294,075	50	270,693	93,256	1,022,664	Nil
Hiwin Healthcare Corp.	100,000	2,585	-	-	-	-	-	(32)	283	-	100,000	100	2,836	2,836	3,108	Nil
Hiwin Italy	-	(49,816)	-	-	-	-	-	136,210	14,494	7,301	-	100	108,189	342,780	296,580	Nil
Matrix	5,449,500	273,715	1,000,000	94,250	-	-	-	(62,650)	(3,343)	122	6,449,500	100	302,094	224,096	630,154	Nil
Hiwin Schweiz	243,000	179,530	-	-	-	-	-	51,404	32,811	3,002	243,000	81	266,747	378,041	266,300	Nil
		<u>\$ 4,889,387</u>		<u>\$ 1,693,250</u>		<u>\$ -</u>	<u>\$ (190,861)</u>	<u>\$ 389,224</u>	<u>\$ 278,866</u>	<u>\$ (7,085)</u>			<u>\$ 7,052,781</u>	<u>\$ 8,294,344</u>	<u>\$ 11,896,474</u>	
Investments in associates																
Mega-Fabs	240,000	\$ 184,717	-	\$ -	-	\$ -	\$ -	\$ 65,556	\$ (5,231)	\$ -	240,000	40	\$ 245,042	\$ 212,213	\$ 42,444	Nil

Note: The balance as of DECEMBER 31, 2022 was accounted for as credit balance for investments accounted for using the equity method.

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2022	Additions	Decrease	Balance at December 31, 2022
Cost				
Land	\$ 146,417	\$ 470	\$ -	\$ 146,887
Building	<u>220,141</u>	<u>116,011</u>	<u>-</u>	<u>336,152</u>
Total cost	<u>366,558</u>	<u>\$ 116,481</u>	<u>\$ -</u>	<u>483,039</u>
Accumulated depreciation				
Land	24,094	\$ 8,186	\$ -	32,280
Building	<u>124,645</u>	<u>67,512</u>	<u>-</u>	<u>192,157</u>
Total accumulated depreciation	<u>148,739</u>	<u>\$ 75,698</u>	<u>\$ -</u>	<u>224,437</u>
Right-of-use assets	<u>\$ 217,819</u>			<u>\$ 258,602</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Others (Note)	<u>\$ 2,454,193</u>

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

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF LONG-TERM BANK BORROWINGS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Type	Borrowing Period (Note 2)	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan (Note 1)						
Bank of Taiwan, Taichung Industrial Park Branch	2011.6.16-2034.2.21	Repayable monthly from July 16, 2014 in 48, 60 and 144 installments	1.70-1.91	\$ 469,010	\$ 2,625,164	\$ 3,094,174
The Export-Import Bank of the Republic of China, Taichung Branch	2020.4.30-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	1.02	3,167	15,659	18,826
Chang Hwa Commercial Bank, Hsitun Branch	2020.5.26-2037.8.4	Repayable monthly from June 15, 2023 in 48 and 114 installments	1.27-1.64	233	3,357	3,590
Land Bank of Taiwan, Taichung Branch	2021.8.2-2026.2.4	Repayment due on February 4, 2026	1.43	-	200,000	200,000
Unsecured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2020.5.6-2027.4.15	Repayable monthly from May 15, 2023 in 48 installments	1.07	<u>483</u>	<u>2,390</u>	<u>2,873</u>
				<u>\$ 472,893</u>	<u>\$ 2,846,570</u>	<u>\$ 3,319,463</u>

Note 1: Property, plant and equipment pledged as collateral in the amount of \$15,318,423 thousand for bank borrowings.

Note 2: The period indicates the earliest loan date and the last due date of the multiple borrowings.

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Amount
Land	20 years	1.45	\$ 115,411
Building	2 to 7 years	1.45	<u>144,309</u>
			259,720
Less: Current portion			<u>(76,304)</u>
Lease liabilities - non-current			<u>\$ 183,416</u>

HIWIN TECHNOLOGIES CORPORATION**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Shipments (In thousands of units)	Amount
Linear guideways	About 21,574	\$14,596,936
Ballscrews	About 1,592	5,588,606
Others		<u>2,131,462</u>
		22,317,004
Less: Sales return		(22)
Sales discount		<u>(2,120)</u>
Sales		<u>\$22,314,862</u>

HIWIN TECHNOLOGIES CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials, beginning of year	\$ 2,032,319	
Raw materials purchased	6,832,118	
Sale of raw materials	(46,651)	
Raw materials scrapped	(37,000)	
Raw materials, end of year	<u>(2,763,382)</u>	
Raw materials used		\$ 6,017,404
Supplies, beginning of year	667,222	
Supplies purchased	2,049,455	
Sale of supplies	(18,466)	
Transferred to manufacturing expense and prepayments for machinery and equipment	(2,067,887)	
Supplies, end of year	<u>(630,324)</u>	
Supplies used		-
Direct labor		2,908,666
Manufacturing expenses		<u>5,710,252</u>
Manufacturing cost		14,636,322
Work in process, beginning of year		1,555,993
Work in process, end of year		<u>(1,020,199)</u>
Cost of finished goods		15,172,116
Finished goods, beginning of year		835,503
Finished goods, end of year		(963,038)
Transferred to operating expense and prepayments for machinery and equipment		(162,073)
Other adjustment		<u>(68,616)</u>
Cost of goods sold		14,813,892
Merchandise, beginning of year	2,893	
Merchandise purchased	2,425	
Transferred to manufacturing expense	(1,101)	
Transferred from prepayment for machinery and equipment	10,485	
Merchandise, end of year	<u>(2,038)</u>	
Cost of merchandise sold		12,664
Cost of raw materials and supplies sold		65,117
Inventory write-downs		15,346
Loss from inventories scraps		37,000
Maintenance and warranty expense		17,971
Unallocated fixed overhead		215,737
Revenue from sale of scraps		<u>(151,645)</u>
Operating costs		<u>\$ 15,026,082</u>

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

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	\$ 160,894	\$ 620,315	\$ 554,590	\$ 1,335,799
Depreciation expense	4,416	106,986	63,725	175,127
Shipping expense	75,761	1,190	1,264	78,215
Donation	-	28,531	-	28,531
Others	<u>215,767</u>	<u>241,466</u>	<u>319,366</u>	<u>776,599</u>
Total	<u>\$ 456,838</u>	<u>\$ 998,488</u>	<u>\$ 938,945</u>	<u>\$ 2,394,271</u>