

TAX GOVERNANCE REPORT 2022

1 TAX POLICIES

Nanya Technology Corporation (NTC) is dedicated to the research, development, design, manufacture, marketing and sales of Dynamic Random Access Memory (DRAM). NTC serves the market through sales offices around the world, with manufacturing and development facilities located in Taiwan. The Company employed 3,600-plus headcounts. As a world class DRAM solution provider NTC commits to strong corporate values and behaviors, including in its approach to taxation. NTC's Tax Policy applies to all functions of NTC, NTC employees, contractors and agents.

1.1 POLICY PRINCIPLES

NTC endorses tax policies that encourage innovation and sustainable operation. Our tax policies aim to control tax risks, pursue sustainable development, and fulfill the corporate social responsibility. NTC is committed to the followings:

- Full compliance with all applicable laws and regulations.
- Disclosures in financial reports are made in accordance with applicable regulations and reporting requirements.
- Shall not transfer profits to lower tax jurisdictions.
- Develop a relationship of mutual respect with tax authorities based on trust and good faith.
- Shall not adopt tax havens or tax structures that are meant for tax avoidance.
- Inter-company transactions are based on the arm's length principle, in compliance with transfer pricing guidance published by the relevant authority.
- The company analyzes the operating environment needs to assess

tax risks; make major operating decisions with consider the impact of taxation.

The above key principles are explained in more detail.

1.2 TAX COMPLIANCE AND DISCLOSURES

NTC seeks to be fully compliant with its tax obligations in the jurisdictions it operates by providing tax authorities with information that is complete and accurate in all material respects and is provided on time as stated in legislation. NTC forbids transactions which is distinctly contrary to regulations of local jurisdictions. NTC constantly monitors the potential impact of new legislations in assessing the impact on operations. NTC will display transparency over its tax affairs in accordance with legislative requirements and community expectations.

1.3 TAX PLANNING

NTC will only perform transactions that are in line with tax regulations in the jurisdictions it operates. NTC ensures that it is being taxed in all jurisdictions where it engages in economic activities based on true economic substance.

NTC will not:

- transfer value to low tax jurisdictions solely for tax benefit;
- participate in, or facilitate complex transactions that could be considered as factitious or serve no substantial economic purposes;
- use tax structures within tax havens that are designed solely to gain tax benefit.

1.4 TRANSFER PRICING

NTC will not use transfer pricing as tax planning tool. All transactions with related parties must be in accordance with the arm's length principle. NTC endeavors to comply with the domestic transfer pricing regulations which apply in the jurisdictions it operates.

1.5 RELATIONSHIP WITH TAX AUTHORITIES

NTC seeks to maintain and improve relationships with tax authorities. NTC proactively works with tax authorities in the jurisdictions it operates to establish a positive relationship based on transparency, mutual trust, and mutual respect.

NTC will:

- Be fully transparent in disclosing and discussing significant uncertainties in relation to tax matter;
- Engage in a cooperative and supportive manner; and Work collaboratively to achieve early resolution of issues.

2 FINANCIAL INFORMATION BY COUNTRY

2.1 RESIDENT ENTITIES

Name	Primary activities	Number of employees
Nanya Technology Corp.	manufacturing and sales	3,579
Nanya Technology Corp., U.S.A	sales	11
Nanya Technology Corp., Delaware	R&D	58
Nanya Technology Corp., HK	sales	0
Nanya Technology Corp., Japan	sales	11
Nanya Technology Interational, Ltd.	general investment business	0
Nanya Technology Europe GmbH	sales	9
Nanya Technology Corp.,Shenzhen	sales	17

2.2 REVENUE

Currency: NTD Million

Country	FY 2021		FY 2022	
	NTD	%	NTD	%
Taiwan	62,307	72.79	38,299	67.25
USA	11,888	13.89	9,079	15.94
Japan	6,047	7.06	4,106	7.21
Germany	5,143	6.01	5,234	9.19
China	219	0.26	234	0.41
Total	85,604	100.00	56,952	100.00

2.3 PROFIT BEFORE TAX

Currency: NTD Million

Country	FY 2021		FY 2022	
	NTD	%	NTD	%
Taiwan	27,369	98.57	15,604	92.46
USA	56	0.20	52	0.31
Japan	178	0.64	255	1.51
Germany	11	0.04	14	0.08
China	5	0.02	3	0.02
BVI	148	0.53	949	5.62
Total	27,767	100.00	16,877	100.00

2.4 INCOME TAX ACCURED

Currency: NTD Million

Country	FY 2021		FY 2022	
	NTD	%	NTD	%
Taiwan	4,825	98.11	2,150	95.22
USA	15	0.31	15	0.66
Japan	74	1.50	89	3.94
Germany	4	0.08	4	0.18
China	0	0.00	0	0.00
Total	4,918	100.00	2,258	100.00

2.5 INCOME TAX PAID

Currency: NTD Million

Country	FY 2021		FY 2022	
	NTD	%	NTD	%
Taiwan	1,191	97.38	3,482	97.18
USA	17	1.39	14	0.39
Japan	13	1.06	82	2.29
Germany	2	0.16	5	0.14
China	0	0.00	0	0.00
Total	1,223	100.00	3,583	100.00

3 TAX INFORMATION

3.1 TAX RATES

Currency: NTD Million

	FY 2021	FY 2022	Average
Income before tax	27,767	16,877	22,322
Reported taxes	4,918	2,258	3,588
Effective tax rate (%)	17.71	13.38	16.07
Cash taxes paid	1,223	3,583	2,403
Cash tax rate (%)	4.40	21.23	10.77

Over 67% of the revenue and over 90% of the profit before income tax are generated from business operations in Taiwan. Meanwhile, over 90% of the tax were also made in Taiwan. Thus tax of NTC are mainly affected by regulation and tax rate of Taiwan. The average effective tax rate of 16.07% is higher than average effective tax rate of semiconductor industry of 15.90%, but the average cash tax rate of 10.77% is lower than the average cash tax rate of semiconductor industry of 14.12% is due to the tax will be filed and paid at the end of May of following year in accordance with Taiwan income tax regulations, resulting in the lower cash tax rate.