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Nanya Technology Corporation

2021 Annual Report

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistencies between the Chinese version and this translation, the Chinese version shall prevail.)

Published on April 22, 2022

- I. Name, title, contact number, and e-mail of the Company's spokesperson and deputy spokesperson:

Item	Spokesperson	Deputy Spokesperson
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Name: Nanya Technology Corp., Stock Affairs Department

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- IV. Name, address, website, and telephone number of auditors and the accounting firm that certified financial statements in the most recent year:

Name of auditors: Astor Kou and Hsin-Yi Kuo

Name of firm: KPMG Certified Public Accountants Firm

Address: 68F, No. 7, Sec. 5, Xinyi Rd., Taipei City

Website: <http://www.kpmg.com.tw>

Tel: (02)8101-6666

- V. Company website: <https://www.nanya.com>

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Appendices

Appendix A: NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES Consolidated Financial Statements With Independent Auditors' Report For the Years Ended December 31, 2021 and 2020
Appendix B: NANYA TECHNOLOGY CORPORATION Financial Statements With Independent Auditors' Report For the Years Ended December 31, 2021 and 2020

A. Letter to Shareholders

I. Business Performance for 2021

Nanya Technology Corporation's (NTC) consolidated revenue amounted to NT\$85.6 billion in 2021, up 40% compared with NT\$61.01 billion in 2020. Net income was NT\$22.85 billion, and earnings per share (EPS) was NT\$7.4.

Sales volume in 2021 was the same as 2020, but revenue increased, mainly due to the significant increase in average selling price. Global economic activity decreased after the outbreak of COVID-19 in early 2020, and DRAM prices also declined. Industries gradually recovered in the first three quarters of 2021, and the DRAM market rapidly grew each quarter. However, the DRAM market went into a correction in the fourth quarter due to material shortages in the supply chain, backlog at ports, and new variants of COVID-19.

The Company flexibly adjusted its product portfolio based on the market situation in 2021, in order to respond to market fluctuations and customer demand, while lowering inventory levels. The average selling price of standard, consumer, and sealed wafers (Known Good Die; KGD) simultaneously increased in the first three quarters along with the market situation, which contributed to the Company's business performance.

Due to supply shortages in the supply chain in the fourth quarter, shortages of non-memory electronic parts and components affected the production of end products, such as computers, televisions, and automobiles, and the DRAM market slightly retracted. Overall, the Company's average selling price in 2021 was more than 40% higher than in 2020, resulting in the significant growth in revenue.

The increase in average selling price in 2021 increased gross profit to NT\$37.04 billion, and gross margin was 43.3%, up 17.6% compared with the gross margin of 25.7% in the previous year. Net cash inflow from operating activities reached NT\$44.11 billion, and free cash flow reached NT\$32.85 billion.

Efforts on the business side:

(1) Increase in the selling price of wafers

We made an active effort to optimize our 20nm product portfolio in 2021, in which roughly 70% were consumer applications. We also increased the speed of server products to 3,200 Mbps to meet customer requirements, but the products were maintained at approximately 5% due to price considerations. We expanded fields of application for low-power products, and sought after long-term contracts, increasing bit sales volume to approximately 10%.

(2) Independent technology development and process conversion

- i. We have begun trial production of the first 8Gb DDR4 product using our first generation 10nm process technology (1A), and achieved our target yield during trial production. We have completed the design and began trial production of the second DDR5 product. Conversion to the (1A) process is scheduled to be carried out in 2022 and will begin mass production.
- ii. We completed trial manufacture of chips for functional verification using second-generation 10nm process technology (1B), and began trial production of the first 8Gb DDR4 product.

(3) ESG and Sustainability

- i. We expect to use 25-30% renewable energy before 2030. We purchased 10.4 GWh of electricity from onshore wind farms in 2021, and signed a 10-year renewable energy supply contract with solar power companies to supply 25 GWh per year, obtaining stable long-term renewable energy supply and meeting regulatory requirements in advance.
- ii. We joined the Net Zero 2030/2050 Initiative at the end of 2021, and are actively preparing to join RE100 and the SBT to achieve net zero emissions before 2050.
- iii. NTC was selected as a constituent stock of DJSI World at the end of 2021, and ranked 1st among memory companies worldwide. We were also recognized with numerous awards, including the National Enterprise Environmental Protection Award and Green Factory Certification, for our efforts in achieving sustainable development.

II. Industry Outlook

DRAM is a key component in smart electronic products, and smartphones and servers/data centers are currently the main fields of application. Following the development of 5G, AI, IoT, big data, self-driving vehicles, and metaverse technologies, the launch of smart consumer electronics products will diversify DRAM applications in the future, and bit demand will grow at an annual rate of 15-20%.

In the server market, cloud demand will drive the continued growth of server DRAM sales, and the amount used will increase with the use of new CPU platforms for DDR5 in the second half of the year, in order to meet the requirements of 5G and AI for high bandwidth, low latency, and big data.

As for mobile phone demand, the percentage of shipments accounted for by 5G mobile phones has increased, and the amount of DRAM used also increased. Demand on commercial and gaming notebooks remains strong. However, growth of demand on mobile phones and notebooks has slowed due to the impact of inflation, geopolitics, and material shortages.

With regard to consumer electronics products, such as network communications, smart wearable devices, smart speakers, SSD, demand is expected to increase; demand for VR headsets and smart glasses will grow along with the concept of the metaverse and release of new game consoles.

According to evaluations of market survey companies, the inventory of suppliers was at low levels in early 2022, and current plans of suppliers to increase supply matches the growth in demand.

Summarizing the supply and demand information above, we expect the second quarter of 2022 to continue the slight pull back that started in the first quarter, but has the opportunity to gradually improve each quarter thereafter. It is still necessary to monitor inflation, the war between Russia and Ukraine, pandemic, and material shortages in the supply chain.

III. Business Plan for 2022

We will step up efforts to promote 20nm products for SSD and game consoles, and will continue to optimize applications of low power products, increasing product speed for application in high-end in-vehicle systems and high-end television products. With regard to sales of server products, besides maintaining relationships with large customers, we will also expand across the world to medium and small customers, such as regional data centers, to increase our sales channels and customer base.

Our main business strategies this year include the promotion, mass production, and sales of new products from our first generation 10nm process (1A). We have already completed customer verification of the pilot product 8Gb DDR4, and plan to begin mass production on a smaller scale in the second half of the year, at which time we will reduce the production of 30nm products. We will also prepare for next generation of DDR5 products.

Trial production of pilot products using second generation 10nm process technology (1B) has already begun, and we expect to begin purchasing machinery and equipment required for phase-one mass production in the second half of this year, preparing for process conversion next year. We are currently developing new products and will subsequently begin trial production.

The Company also plans to build a new plant in Nanlin Science Park, and will build a clean room in the middle of this year with the goal for it be completed and operational in 2025. The scale of the production capacity will be implemented in phases depending on market demand.

The upper limit on capital expenditures in 2022 due to mass production machinery and equipment for 1A/1B process technology, new plant construction, and capital expenditures of general departments is expected to be NT\$28.4 billion.

IV. Conclusion

We are cautiously optimistic about the DRAM market this year and expect the industry to grow. We will invest even more R&D resources to accelerate the development of 10nm process technologies and new generation DDR5 products to enhance our competitiveness. Nanya Technology Corporation insists on the core value of technological innovation as its main source of growth, and will continue to dedicate our efforts to create greater value for all shareholders.

B. Company Profile

I. Date of Incorporation: Mar 4, 1995

II. Milestones

March 1995	Nanya Technology Corp. was established and incorporated.
Apr	MOU signed by OKI, NTC and Nanya Plastics, in which NTC succeed all rights and obligations of 16Mb DRAM technology form Nanya Plastics Corp.
November 1996	Signed 0.36 μ m and 0.32 μ m 64Mb DRAM technology licensing agreement with OKI.
July 1997	Set up NTC-USA, the branch office in charge of sales and marketing activities in USA.
April 1998	Awarded ISO-9001 Certification by Lloyd's Register Quality Assurance (LRQA).
Nov	Signed a technology transfer agreement for 0.2/0.175 μ m process technology with IBM.
Dec	Awarded ISO-14001 Certification by Lloyd's Register Quality Assurance (LRQA).
Dec	Set up a product design center in Houston, Texas.
October 1999	0.20 μ m 64Mb SDRAM mass production started.
August 2000	NTC was listed on Taiwan Stock Exchange.
Oct	Signed a co-development agreement for 0.14/0.11 μ m process technology with IBM.
June 2001	Mass production of 0.175 μ m 128Mb/256Mb DRAM.
Oct	DDR Products leads the market in production.
April 2002	Set up Nanya-HK Limited.
Jun	Signed a strategic alliance agreement with Dell as Dell's main supplier of DRAM products.
Sep	Set up a branch office in Tokyo, Japan.
Nov	Signed a Joint Development Program with Infineon Technologies AG to co-develop 0.07 and 0.09 μ m process technology.
Dec	Awarded ISO-18001 Certification by Lloyd's Register Quality Assurance (LRQA). Awarded ISO-14001 Certification by Sweden Det Norske Veritas.

January 2003	Signed a Joint Development Program with Infineon Technologies AG to develop Inotera Memories Ltd.
Mar	According to Gartner iSuppli, our Company's market share rose to No.5 in the world in 2002.
Jul	Offering of Global Depositary Shares (GDS) on Luxembourg Stock Exchange.
May 2004	DDR2 products obtained worldwide system makers' validation.
Dec	90nm pilot-run started.
April 2005	512Mb DDR2 SDRAM (667 MHz) validated by Intel.
Jun	Successful qualification of 90nm technology.
Sep	Signed 60nm technology co-development agreement with Infineon.
March 2006	Nanya Fab-3 (300mm) groundbreaking ceremony.
Oct	Set up Nanya Technology (Shanghai) Corp.
May 2007	FAB-3A equipment move-in.
Nov	Pilot run successful in FAB-3A; 70nm wafer starts in Q3.
April 2008	Signed JV agreement with Micron.
Nov	FAB-3A 1st phase full capacity with 70nm.
August 2009	68nm stack technology has been demonstrated successfully.
Sep	50nm stack technology has been demonstrated successfully.
January 2010	Invested in IC design company—PieceMakers Tech Inc.
Jul	42nm stack technology has been demonstrated successfully.
Oct	Started 42nm stack technology volume production.
July 2011	30nm stack technology has been demonstrated successfully.
March 2012	Set up Sumpro Electronics Corporation Limited.
January 2013	Amends Inotera Memories Joint Venture With Micron and Micron acquires rights to 100% of Inotera's output.
Oct	Achieved certification ISO 10002— Complaints Management Systems.

July 2014	Disposal of Sumpro's 8-inch Fab and equipment.
Oct	Started 30nm process technology design shrink version volume production.
Oct	DDR4 products obtained worldwide system makers' validation.
July 2015	Fab 3A-N ground breaking.
Aug	30nm process technology design shrink version crossover.
Sep	NTC through the Electronic Industry Citizenship Alliance Validated Audit Process (EICC VAP).
Dec	LPDDR3 4Gb volume production.
June 2016	Social responsibility report of the Company is verified by the British Standards Association (BSI) according to the AA1000 Guarantee Standard.
Oct	20nm equipment move-in.
Dec	Completed Inotera share swap with Micron.
March 2017	20nm pilot run.
Apr	Nanya Technology was awarded "Qualified Supplier" from TCL Corporation.
Aug	New Headquarters Grand Opening.
Oct	Nanya Technology was awarded "The Excellent Supply Partner & Green Partner" from Huawei Technology. Nanya Technology Awarded 2017 New Taipei City Environmental Impact Assessment Excellent Development Selection – Gold Level.
Nov	New headquarters building achieved EEWH Assessment System Silver level. Nanya Technology won 2017 Taiwan Corporate Sustainability Award.
Dec	8Gb DDR4 mass production.
April 2018	Nanya Technology Awarded Thomson Reuters' Top 100 Global Technology Award.
Apr	Ranked in the top 5% of the 4th Corporate Governance Evaluation.
Jul	Acquired 19% shares of Formosa Advanced Technologies Co., Ltd.
Sep	Selected into the Dow Jones Sustainability Emerging Markets Index in 2018.
Oct	8Gb DDR4 server products were certified by server (data center) customers.
Nov	Achieved ISO 50001 certification.
Nov	Won numerous awards in the 2018 Taiwan Corporate Sustainability Awards.

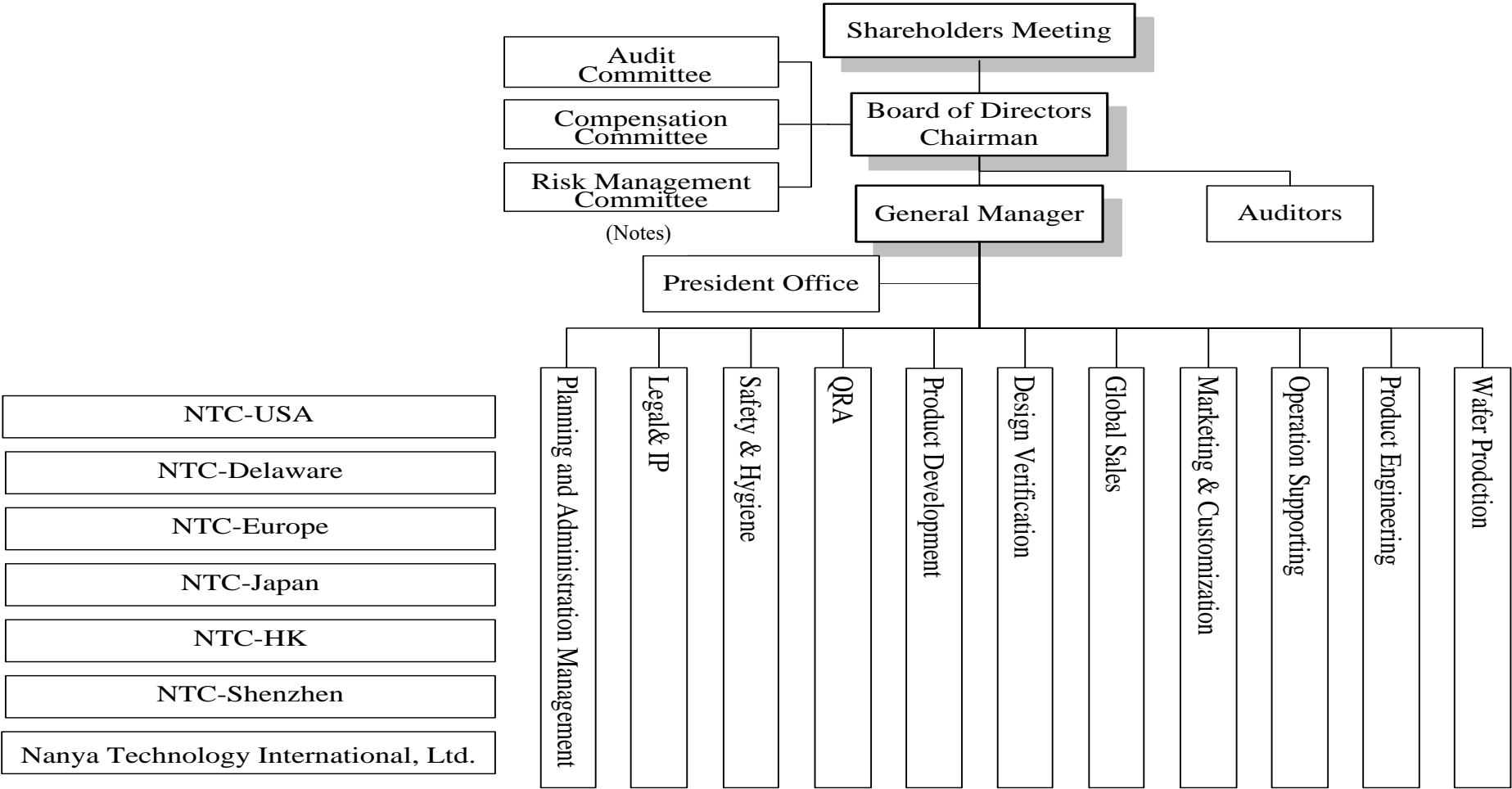
April 2019	Won the 6th National Industrial Innovation Award of the Ministry of Economic Affairs, R.O.C.
Jun	Awarded the 8th New Taipei City Labour Safety and Health Award
Jun	8Gb LPDDR3 achieved customer qualification
Sep	Won the 2019 Common Wealth Magazine's New Star Award in Corporate Social Responsibility Award
Sep	Named Dow Jones Sustainability Index on Emerging Markets Index for Second Straight Year
Oct	Received ISO 27001 Information Security Certification
Nov	Won numerous awards in the 2019 Taiwan Corporate Sustainability Awards
Dec	8Gb LPDDR4/4X achieved customer qualification
Dec	Won 2019 National Talent Development Award
Dec	Acquired 13% shares of Formosa Advanced Technologies Co., Ltd
January 2020	Developed core cell technology for the 10nm class DRAM process
Jan	Received RobecoSAM Sustainability Award - Silver Class 2020
Apr	Top 5% in 6th Corporate Governance Evaluation
Jul	Continuously obtained Golden Certificate of Talent Quality-management System (TTQS)
Aug	Rated "Prime" by ISS (Institutional Shareholder Services Inc.) ESG Corporate Rating
Sep	Awarded the Common Wealth Magazine's Corporate Social Responsibility Award
Nov	Awarded 7 Awards in the 2020 Taiwan Corporate Sustainability Awards
Nov	Received 2020 National Sustainable Development Award
Dec	Selected in CDP Climate Change A List and evaluated Water Security as the Leadership Level
January 2021	Received the Green Factory Label certified by the Industrial Development Bureau, Ministry of Economic Affairs
January	First-generation 10nm class process technology (1Anm) pilot run
Feb	Received S&P Global Sustainability Yearbook Award - Bronze Class 2021
April	DDR5 product development
April	Purchased 10.4 million kWh of renewable energy
April	Officially become supporter for TCFD

April	Top 5% in the 7th Corporate Governance Evaluation by TWSE
May	Received 17th Global Views CSR Award Model in ESG Integrated Performance
Sep	Received Common Wealth Magazine' s Excellence in Corporate Social Responsibility Award
Oct	Received the 2021 Electronics Invoice Excellent Business Award
Oct	Received the Taiwan Sustainability Action Awards (TSAA)
Nov	Received 10 TCSA Awards including Top10 TCSA Model
Nov	Won the 3rd National Enterprise Environmental Protection Award
Nov	Named to the Dow Jones Sustainability World Index
Dec	Selected in CDP Climate Change A List and evaluated Water Security as the Leadership Level
February 2022	Received S&P Global Sustainability Yearbook Award - Bronze Class 2022

C. Corporate Governance

- I. Organization
- (I) Organization Structure

March 28, 2022



Notes: The Company will request that the Board of Directors discuss establishing a Sustainable Development Committee and merging it with the original Risk Management Committee in 2022.

(II) Major Corporate Functions

March 28, 2022

Department	Functions
Corp. Audit	Responsible for internal control system and evaluates the integrity and comprehensiveness of regulations; examines whether internal control is conducted effectively and continuously, measures the performance of each department and recommends corrective actions on a timely manner for an overall effective operation.
Planning and Administration Management	<ol style="list-style-type: none"> 1. IR/PR: Responsible for maintaining the Companies' relationships with (institutional) investors and managing the release of public information to the mass media and the relationship with the general public. 2. Information Security: Responsible for the promotion and audit of the Company's safety and security affairs, strengthening the protection of technology and business secrets. 3. Human Resource: Establishing human resource policy and executing personnel systems, including personnel, salary and compensation, employee relationship, training and talent development effectively and efficiently to increase company's human capital. 4. Responsible for financial policy management, capital movement, budget compilation, review and control, accounting process, and supervision of material assets, procurement and factory safety. 5. Responsible for market trends analysis, assessment of the investment plan, set product strategy and operational marketing plans, programs and promote the cross-functional projects, sales performance management, outsourcing policy management. 6. Responsible for the planning and promotion of sustainable development and risk management. 7. Responsible for the planning and implementation of risk management.
Legal & IP	Responsible for company legal affairs and other intellectual property management.
Safety & Hygiene	Supervises and audits the working environment with professional knowledge and continuous improvement; planning and maintaining the safety and hygiene management system (ISO 14001, TOSHMS management system).
Quality & Reliability Assurance	<ol style="list-style-type: none"> 1. Responsible for the planning and establishment of the Company's quality assurance system, and promote the quality of education and training, verification audit, quality control and quality improvement to meet quality theory of our business concept. 2. Responsible for establish FAB quality control system and incoming quality control, in-process quality control, failure analysis to ensure the stability of product quality and meet customer needs.

Department	Functions
Products Development	Responsible for design, develop and control new product.
Design Verification	Responsible for develop and design verification of mass production engineering technology and set up testing program.
Global Sales	Responsible for the promotion and development of global business, set business strategy, promotion of new products, elaboration and implementation of marketing plans and public relations matters.
Marketing and Customization	Responsible for product promotion and marketing program, planning marketing proposal, cost benefit analysis, managing the process of product development, sampling, customer verification, and mass production.
Process Development	Responsible for process development, product shrink, and quality improvement for new product.
Operation Supporting	<ol style="list-style-type: none"> 1. Responsible for the planning and management of production automation, maintenance and management of office automation, establishment and management of computer network automation, and maintenance and management of information security. 2. Plan for expansion program, promotion of new factory construction, factory duty engineering design, planning, and implementation, capacity planning and management, materials management, to help improve operational efficiency.
Product Engineering	Responsible for validating new products, product engineering and testing technology development, abnormal product electrical/physical property analysis, development and management outsourcing of IC packaging and testing technology.
Wafer Manufacturing	<ol style="list-style-type: none"> 1. Manufacturing: Responsible for the planning and operation of the manufacturing, process, equipment, and facility, to meet our customer requirements in quality and delivery. 2. Public system: Institutionalization and systematic establishment of public equipment operation and maintenance, and strengthening operational efficiency.

II. Directors and Management Team

(I) Directors

March 28, 2022

Title	Nationality/Place of Incorporation	Name	Gender Age	Date Elected (In Office)	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Shares held by spouse and underage children		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at NTC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship			Remarks (Note 3)
							Shares	Percentage of shares(%)	Shares	Percentage of shares(%)	Shares	Percentage of shares(%)	Shares	Percentage of shares(%)			Title	Name	Relationship	
Chairman	R.O.C	Nan Ya Plastics Corp. Representative: Chia Chau, Wu	Male Over 70 years old	2019.05.30	Three years	1995.02.17 2004.05.12	907,303,775 -	29.71 -	907,303,775 957	29.30 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Chairman, Nan Ya Plastics Corp. Department of Business Administration, National Chengchi University	Chairman, Nan Ya Plastics Corp. Chairman, Nan Ya PCB Corp.	N/A	N/A	N/A	N/A
Director	R.O.C	Wen Yuan, Wong	Male Over 70 years old	2019.05.30	Three years	2007.05.25	4,000	0.00	4,000	0.00	127,648	0.00	0	0.00	Chairman, Formosa Chemicals & Fibre Corp. Master Degree in Industrial Engineering, University of Houston, USA	Chairman, Taiwan Textile Federation Chairman, Formosa Taffeta Co., Ltd., Chairman, Formosa Advanced Technologies Co., Ltd	N/A	N/A	N/A	N/A
Director	R.O.C	Susan Wang	Female 61~70 years old	2019.05.30	Three years	2010.06.24	0	0.00	0	0.00	0	0.00	0	0.00	Managing Director, Formosa Plastics Corp. Department of Economics, Barnard College, USA	Managing Director, Formosa Plastics Corp. Managing Director, Formosa Petrochemical Corp.	N/A	N/A	N/A	N/A
Director	R.O.C	Pei-Ing Lee	Male 61~70 years old	2019.05.30	Three years	2004.05.12	683,098	0.02	1,155,098	0.04	571	0.00	0	0.00	President, Nanya Technology Corp. Ph.D. in Chemical Engineering, Syracuse University, USA	President, Nanya Technology Corp. Director, Formosa Advanced Technologies Co., Ltd. Independent Director, Powertech Technology Inc. (Note 2)	N/A	N/A	N/A	N/A
Director	R.O.C	Ming Jen, Tzou	Male Over 70 years old	2019.05.30	Three years	2010.06.24	0	0.00	0	0.00	0	0.00	0	0.00	President, Nan Ya Plastics Corp. Department of Chemical Engineering, Former National Taipei University of Technology	Director and President, Nan Ya Plastics Corp. Director, Nan Ya PCB Corp.	N/A	N/A	N/A	N/A
Director	R.O.C	Lin-Chin Su	Male 61~70 years old	2019.05.30	Three years	2016.06.22	269,601	0.01	370,601	0.01	0	0.00	0	0.00	Executive Vice President, Nanya Technology Corp. Ph.D. in Materials Science and Engineering, University of Utah, USA	Executive Vice President, Nanya Technology Corp. Director, Formosa Advanced Technologies Co., Ltd. (Note 2)	N/A	N/A	N/A	N/A
Director	R.O.C	Nan Ya Plastics Corp. Representative: Joseph Wu	Male 51~60 years old	2019.05.30	Three years	1995.02.17 2019.05.30	907,303,775 -	29.71 -	907,303,775 460,000	29.30 0.01	0 0	0.00 0.00	0 0	0.00 0.00	Vice President, Nanya Technology Corp. Master Degree in Material Engineering, National Taiwan University	Vice President, Nanya Technology Corp. (Note 2)	N/A	N/A	N/A	N/A

Title	Nationality/Place of Incorporation	Name	Gender Age	Date Elected (In Office)	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Shares held by spouse and underage children		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at NTC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship			Remarks (Note 3)
							Shares	Percentage of shares(%)	Shares	Percentage of shares(%)	Shares	Percentage of shares(%)	Shares	Percentage of shares(%)			Title	Name	Relationship	
Director	R.O.C	Nan Ya Plastics Corp. Representative: Rex Chuang	Male 51~60 years old	2019.05.30	Three years	1995.02.17 2019.05.30	907,303,775	29.71	907,303,775 459,000	29.30 0.01	0	0.00	0	0.00	Vice President, Nanya Technology Corp. Master Degree in Materials Engineering, San Jose State University, USA	Vice President, Nanya Technology Corp. (Note 2)	N/A	N/A	N/A	N/A
Director	R.O.C	Formosa Taffeta Co., Ltd. Representative: (vacancy)	-	2016.06.22	Three years	1995.02.17	7,711,010	0.25	7,711,010	0.25	0	0.00	0	0.00	-	-	-	-	-	-
Independent	R.O.C	Ching-Chyi Lai	Male Over 70 years old	2019.05.30	Three years	2016.06.22	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, Chunghwa Post Co., Ltd. Chairman, Taiwan Insurance Institute Former Deputy Secretary General, Executive Yuan ROC, Former Chief Secretary, Council for Economic Planning and Development Master Degree in Public Finance, National Chengchi University	Director, Taipei Foundation of Finance Independent Director, Excellence Optoelectronic Inc. Chair Professor, Chung Hua University	N/A	N/A	N/A	N/A
Independent Director	R.O.C	Shu-Po Hsu	Male 51~60 years old	2019.05.30	Three years	2013.06.21	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, General Chamber of Commerce of the Republic of China Master Degree in Graduate Institute of Criminology, National Chung Cheng University	Vice Chairman, Taiwan Life Insurance Co., Ltd. Director, CTBC Insurance Co., Ltd. Chairman, General Chamber of Commerce of the Republic of China Chairman, Life Insurance Educational Foundation	N/A	N/A	N/A	N/A
Independent	R.O.C	Tsai-Feng Hou	Female 61~70 years old	2019.05.30	Three years	2013.06.21	0	0.00	0	0.00	0	0.00	0	0.00	Former Legislator Former President, Former Ta Chong Securities Co., Ltd. Executive Master Degree in Public Policy Program, National Sun Yat-sen University	Chairman, Dayang Education Foundation Chairman, Kaohsiung Labor Charity Relief Association Special Assistant to the Chairman, Orient Semiconductor Electronics, Limited	N/A	N/A	N/A	N/A

Note1: Mr. Shih-Ming Hsieh, representative of institutional director Formosa Taffeta Co., Ltd., passed away on January 10, 2022, and a new representative has not been appointed as of March 28, 2022.

Note2: Please refer to H. Other Special Notes I (I) 1. (5) Directors, Supervisors and Presidents of NTC's Subsidiaries.

Note3: Where the Chairman of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response.

Major shareholders of the institutional shareholders

April 22, 2022

Name of Institutional Shareholders	Major shareholders of the institutional shareholders
Nan Ya Plastics Corp.	Chang Gung Medical Foundation (11.05%), Formosa Plastics Corp. (9.88%), Formosa Chemicals & Fibre Corp. (5.21%), Chang Gung University (4.00%), Vanson International Investment Co., LTD. (2.39%), Formosa Petrochemical Corp. (2.26%), Chindwell International Investment Corp. (1.86%), LGT Bank (Singapore) Ltd. (1.50%), MACRO SYSTEMS CORP (1.45%), Credit Suisse AG--Credit Suisse singapore branch(1.20%)
Formosa Taffeta Co., Ltd.	Formosa Chemicals & Fibre Corp. (37.40%), Chang Gung Medical Foundation (5.79%), Yuanta/P-shares Taiwan Dividend Plus ETF (4.71%), Yu Yuang Textile Co., Ltd. (2.55%), Min-Xiong Lai (2.43%), Chang Gung University (2.20%), Chang Gung University of Science and Technology (2.13%), Ming Chi University of Technology (1.87%), Taiwan Life Insurance Company Ltd. (1.59%), Asia Pacific Investment Co., Ltd. (1.43%)

Major shareholders of the Company's major institutional shareholders

April 22, 2022

Name of Institution	Major shareholders of institution
Formosa Plastics Corp.	Chang Gung Medical Foundation (9.44%), Formosa Chemicals & Fibre Corp.(7.65%), Credit Suisse AG -- CREDIT SUISSE SINGAPORE BRANCH (6.26%), Nan Ya Plastics Corp.(4.63%), Chindwell International Investment Corp.(4.16%), Vanson International Investment Co., Ltd. (3.05%), Formosa Petrochemical Corp. (2.07%), Investment Account of Singapore's Government Fund under the custody of Citibank Taiwan (1.50%), Ming Chi University of Technology (1.43%), New Labor Pension Fund (1.25%)
Formosa Chemicals & Fibre Corp.	Chang Gung Medical Foundation (18.58%), Chindwell International Investment Corp. (6.35%), Vanson International Investment Co., Ltd. (3.80%), Formosa Plastics Corp. (3.39%), Nan Ya Plastics Corp. (2.40%), Fubon Life Insurance Corporation (2.22%), Wen Yuan, Wong (2.20%), Consolidated Power Development Corp.(1.63%), Genesis Equity Group Inc. (1.51%), HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.45%)
Formosa Petrochemical Corp.	Formosa Plastics Corp.(28.56%), Formosa Chemicals & Fibre Corp.(24.15%), Nan Ya Plastics Corp.(23.11%), Chang Gung Medical Foundation (5.79%), Formosa Taffeta Co., Ltd.(3.83%), Genesis Equity Group Inc. (0.60%), HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation (0.51%), Central Capital management Incorporated (0.49%), HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation (0.48%), Labor Pension Fund (The New Fund) (0.47%)
Taiwan Life Insurance Co., Ltd.	Chinatrust Financial Holding (100%)
LGT Bank (Singapore) Ltd.	Investment Account
MACRO SYSTEMS CORP	Investment Account
Credit Suisse AG--Credit Suisse singapore branch	Investment Account
Yuanta/P-shares Taiwan Dividend Plus ETF	Investment Account
Chindwell International Investment Corp.	Everred Coporate, Inc. (100%)
Vanson International Investment Co.,LTD.	Landmark Capital Holdings Inc. (100%)
Yu Yuang Textile Co., Ltd.	Ming-Te Hsieh (16.75%), Chiu-Min Chung (7.16%), Yi-Chen Hsieh (6.78%) STABLE FULL INDUSTRIAL CO., LTD. (5.92%)
Asia Pacific Investment Co., Ltd.	Formosa Plastics Corp. (16.17%), Nan Ya Plastics Corp. (14.99%), Formosa Chemicals & Fibre Corp. (14.97%), ENERGY ASSOCIATES LTD. (4.71%), POWER UNLIMITED CORP. (4.71%), Ssu-Han Wang (4.25%), Formosa Taffeta Co., Ltd. (2.35%), TAH HSIN INDUSTRIAL CORP. (2.35%), RIMWOOD INC. (2.35%), ACKERMAN BROTHERS INC. (2.35%)
Chang Gung Medical Foundation	Nan Ya Plastics Corp. (19.27%), Formosa Chemicals & Fibre Corp. (14.83%), Formosa Plastics Corp. (14.23%), Wang Yung-Tsai (deceased, 12.04%), Wang Yung-Ching (deceased , 7.87%)
Chang Gung University	Chang Gung Medical Foundation (56.98%), Wang Yung-Ching (deceased, 13.16%), Chindwell International Investment Corp. (3.89%), Nan Ya

Name of Institution	Major shareholders of institution
	Plastics Corp. (2.56%), Formosa Plastics Corp. (2.26%)
Ming Chi University of Technology	Wang Yung-Ching (deceased, 43.22%), Wang Yung-Tsai (deceased, 38.80%), Nan Ya Plastics Corp. (5.08%), Chindwell International Investment Corp. (3.74%), Formosa Chemicals & Fibre Corp. (1.66%)
Chang Gung University of Science and Technology	Wang Yung-Ching (deceased, 31.99%), Chang Gung Medical Foundation (29.59%), Wang Yung-Tsai (deceased, 21.65%), Wen Yuan, Wong (3.76%), Chindwell International Investment Corp. (1.99%),

Note: If the institutional shareholder is not a company, the name and shareholding ratio of shareholders that must be disclosed above is the name and ratio of contributions or donations from the investor or donor. Specified "deceased" if the donor has passed away.

Disclosure of information on directors' professional qualifications and independence of independent directors:

March 28, 2022

Name \ Criteria	Professional qualifications and experience	Independence analysis	Number of other public companies in which the individual is concurrently serving as an independent director
Nan Ya Plastics Corp. Representative: Chia Chau Wu	Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, semiconductors, steel, and shipping industries. Currently serves as the Company's chairperson and the chairman or directors of the companies listed above. Has leadership and decision-making, strategy planning, crisis management, and risk management abilities, has an international perspective and insight, and supervises the increase of wafer selling price, independent technology development and process transition, and ESG and sustainable development.	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A
Wen Yuan, Wong	Has a wealth of industry knowledge and management experience, including plastics, textile fibers, chemistry, oil, gas and electricity, semiconductors, steel, shipping, and biotechnology industries. Held senior executive positions in the industries above, and currently serves as the chairman or director of related companies. Has leadership, decision-making and judgment, and crisis management abilities and an international market perspective. Leads multinational companies in China, the United States, and Vietnam, and is currently the chairman of Taiwan Textile Federation. Specializes in engineering technology, has an in-depth understanding of AI, and leads the Company in energy conservation and emission reduction, circular economy, AI simulation, and digital transformation.	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A
Susan Wang	Has a wealth of industry knowledge and management experience, including plastics, oil, gas and electricity, textile fibers, chemistry, semiconductors, steel, shipping, and biotechnology industries. Held senior executive positions in a petrochemical company in the United States, and currently serves as the director of public companies and multinational corporations in the industries above. Has leadership and decision-making, strategy planning, crisis management, and risk management abilities, has an international perspective and insight, leads the implementation of KPI management, and supervises the Company's implementation of ESG.	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A

Name \ Criteria	Professional qualifications and experience	Independence analysis	Number of other public companies in which the individual is concurrently serving as an independent director
Pei-Ing Lee	<p>Has approximately 38 years of experience in the semiconductor and DRAM industries, served as a senior R&D supervisor of IBM and senior vice president of the Company, and currently the Company's president and subsidiaries' chairman or director.</p> <p>Has business management, leadership and decision-making, crisis management, and risk management abilities and an international market perspective. Leads the Company's transformation and focuses on niche markets, such as consumer, low-power, and server products. Strengthens corporate governance and implements green technologies and environmental sustainability.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	1
Ming Jen Tzou	<p>Has a wealth of industry knowledge and management experience, including plastics, semiconductors, and electronics parts and components industries. Currently serves as the Company's director and the director or president of related companies.</p> <p>Has business management, leadership and decision-making, communication and coordination, crisis management, and risk management abilities, and supervises AI simulation, digital transformation, energy conservation and carbon reduction, labor safety, and environmental protection.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A
Lin-Chin Su	<p>Has over 25 years of experience in the DRAM industry, experienced in R&D, production, and management, and is currently the Company's executive vice president and subsidiaries' director.</p> <p>Has leadership and decision-making, crisis management, and risk management abilities, leads the Company's construction of a 12-inch fab, process transition, and technological developments, and supervises the implementation of cleaner production, in order to increase the Company's operational resilience under the crisis of climate change and implement AI smart factories.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A
Nan Ya Plastics Corp. Representative: Joseph Wu	<p>Has over 25 years of experience in the DRAM industry, served as the president of related companies, and is currently the Company's vice president and director of subsidiaries.</p> <p>Has business management, communication and coordination, and risk management abilities, supervises the Company's production and sales coordination, investment plan evaluation, personnel management, and investor relations maintenance, leads the implementation of corporate governance and sustainable development, and internalizes domestic and overseas evaluations (selections) to strengthen company management.</p>	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A

Name \ Criteria	Professional qualifications and experience	Independence analysis	Number of other public companies in which the individual is concurrently serving as an independent director
Nan Ya Plastics Corp. Representative: Rex Chuang	Has over 25 years of experience in the semiconductor and DRAM industries, served as the president of related companies, and is currently the Company's vice president and director of subsidiaries. Has business management, communication and coordination abilities and an international market perspective. Understands demand and product development trends in the DRAM market, leads the implementation of the Company's marketing and customized product promotion project, adjusts product positioning, and expands customer groups.	No spouse or relative within the second degree of kinship serves as the Company's director, compliant with Article 26-3 of the Securities and Exchange Act.	N/A
Formosa Taffeta Co., Ltd. Representative: (vacancy)	-	-	-
Ching-Chyi Lai	Formerly served as deputy secretary-general at the Executive Yuan, chief secretary at the National Development Council, and chairman of Chunghwa Post Co., Ltd., has an accountant certificate, and is currently a chair professor at the Department of Finance, Chung Hua University. Has an expertise in management, accounting, or finance; provided recommendations and fulfilled duties from an independent and objective position while serving as an independent director; also serves as the convener of the Company's Audit Committee, and is a member of the Risk Management Committee and Compensation Committee; does not have any conditions specified in Article 30 of the Company Act.	No spouse or relative within the second degree of kinship serves as the Company's director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Began serving as the independent director of Excellence Optoelectronic Inc. in March 2018.	1
Shu-Po Hsu	Formerly served as the chairman of the Life Insurance Association of the Republic of China, and is currently the chairman of the General Chamber of Commerce of the Republic of China and vice chairman of Taiwan Life. Has a wealth of experience in management, finance, insurance, and leadership in numerous industries; provided opinions and fulfilled duties from an independent and objective position while serving as an independent director; also serves as the convener of the Company's Compensation Committee, and is a member of the Audit Committee and Risk Management Committee; does not have any conditions specified in Article 30 of the Company Act.	No spouse or relative within the second degree of kinship serves as the Company's director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	N/A
Tsai-Feng Hou	Formerly served as the president of a securities firm and is currently the special assistant to the chairman of OSE Corp. Has experience in finance, securities, and semiconductor packaging and testing industries; provided recommendations and fulfilled duties from an independent and objective position while serving as an independent director; is a member of the Company's Audit Committee, Compensation Committee, and Risk Management Committee; does not have any conditions specified in Article 30 of the Company Act.	No spouse or relative within the second degree of kinship serves as the Company's director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	N/A

Diversity and independence of Board members:

1. Board diversity:

The “Corporate Governance Principles” of the Company stipulate that the diversity of Board members must be given due consideration, and Board members must have the necessary knowledge, skill, and experience to perform their duties, including but not limited to gender, race, and nationality. In order to achieve the goals of corporate governance, the Board as a whole shall have the following abilities: 1. Ability to make sound business judgments; 2. Ability to perform accounting and financial analysis; 3. Ability to manage a business; 4. Ability to handle crisis management; 5. Knowledge of the industry; 6. An international market perspective; 7. Leadership; 8. Decision-making ability.

As of the end of 2021, the Board of Directors has 12 members, including 2 female Directors and 4 Directors who are concurrently employees (accounting for 16.7% and 33.3% of all Directors, respectively). The distribution of Directors by age is as follows: 3 Directors are 51-60 years old, 4 Directors are 61-70 years old, and 5 Directors are over 70 years old. Our goal is for female Directors to account for 25% of all Directors. For information on the academic background, experience, gender, professional qualifications, and work experience of each Director as well as Board diversity, please refer to C. Corporate Governance Report II. (I) Directors. The implementation of Board diversity is as follows:

March 28, 2022

March 28, 2022

General information						Professional background in business and management decision-making ability					Industry experience
Title	Name	Gender	NTC's Employee	Tenure of NTC's Independent Director		Business Management	Leadership Decision	DRAM Industry	International Outlook	Financial / Accounting	GICS Level 1 (Note)
				4~6 Years	7~9 Years						
Chairman	Chia Chau, Wu	Male				✓	✓	✓	✓	✓	Materials
Director	Wen Yuan, Wong	Male				✓	✓	✓	✓	✓	Materials
Director	Susan Wang	Female				✓	✓	✓	✓	✓	Materials
Director	Pei-Ing Lee	Male	✓			✓	✓	✓	✓	✓	Information Technology
Director	Ming Jen, Tzou	Male				✓	✓	✓	✓	✓	Materials
Director	Lin-Chin Su	Male	✓			✓	✓	✓	✓	✓	Information Technology
Director	Joseph Wu	Male	✓			✓	✓	✓	✓	✓	Information Technology
Director	Rex Chuang	Male	✓			✓	✓	✓	✓	✓	Information Technology
Director	Formosa Taffeta Co., Ltd. Representative: (vacancy)	-									

General information						Professional background in business and management decision-making ability					Industry experience
Title	Name	Gender	NTC's Employee	Tenure of NTC's Independent Director		Business Management	Leadership Decision	DRAM Industry	International Outlook	Financial / Accounting	GICS Level 1 (Note)
				4~6 Years	7~9 Years						
Independent Director	Ching-Chyi Lai	Male		✓		✓	✓		✓	✓	
Independent Director	Shu-Po Hsu	Male			✓	✓	✓		✓	✓	Financials
Independent Director	Tsai-Feng Hou	Female			✓	✓	✓	✓	✓	✓	Information Technology, Financials

Note: Global Industry Classification Standard, GICS.

2. Independence of Board members:

As of the end of 2021, there are 3 Independent Directors, accounting for 25% of all Board members. No spouse or relative within the second degree of kinship serves as the Company's Director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Among the remaining directors, there is no spouse or relative within the second degree of kinship serving as the Company's Director, in compliance with Article 26-3 of the Securities and Exchange Act. Directors are not the spouse or relative within the second degree of kinship of each other, in compliance with Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. (Please refer to the table disclosing information on Directors' professional qualifications and independence above for related information)

(II) Management Team

March 28, 2022

Title	Nationality	Name	Gender	Date Elected (In Office)	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree			Remarks (Note 2)
					Shares (Share)	Percentage of shares(%)	Shares (Share)	Percentage of shares(%)	Shares (Share)	Percentage of shares(%)			Title	Name	Relationship	
President	R.O.C	Pei-Ing Lee	Male	2015.10.06	1,155,098	0.04	571	0.00	0	0.00	President, Nanya Technology Corp. Ph.D. in Chemical Engineering, Syracuse University, USA	Director, Formosa Advanced Technologies Co., Ltd. Independent Director, Powertech Technology Inc. (Note 1)	N/A	N/A	N/A	N/A
Executive Vice President	R.O.C	Lin-Chin Su	Male	2019.03.08	370,601	0.01	0	0.00	0	0.00	Executive Vice President, Nanya Technology Corp. Ph.D. in Materials Science and Engineering, University of Utah, USA	Director, Formosa Advanced Technologies Co., Ltd. (Note 1)	N/A	N/A	N/A	N/A
Vice President	R.O.C	Joseph Wu	Male	2017.12.20	460,000	0.01	0	0.00	0	0.00	Vice President, Nanya Technology Corp. Master Degree in Material Engineering, National Taiwan University	(Note 1)	N/A	N/A	N/A	N/A
Vice President	R.O.C	Rex Chuang	Male	2017.12.20	459,000	0.01	0	0.00	0	0.00	Vice President, Nanya Technology Corp. Master Degree in Materials Engineering, San Jose State University, USA	(Note 1)	N/A	N/A	N/A	N/A
Vice President	R.O.C	Yau-Ming Chen	Male	2019.03.08	0	0.00	0	0.00	0	0.00	Vice President, Nanya Technology Corp. Department of Electrical Engineering, National Taiwan University	Director, Formosa Advanced Technologies Co., Ltd.	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C	Chi-Meng Su	Male	2013.02.20	0	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in Electronics Engineering, National Chiao Tung University	(Note 1)	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C	Mark Mao	Male	2017.12.20	0	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in Materials Science and Engineering, Columbia University, USA	N/A	N/A	N/A	N/A	N/A

Title	Nationality	Name	Gender	Date Elected (In Office)	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree			Remarks (Note 2)
					Shares (Share)	Percentage of shares(%)	Shares (Share)	Percentage of shares(%)	Shares (Share)	Percentage of shares(%)			Title	Name	Relationship	
Assistant Vice President	R.O.C	Jeff J.P. Lin	Male	2017.12.20	216,027	0.01	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Ph.D. in Electrical Engineering, University of Texas at Austin, USA	N/A	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C	Rex Chen	Male	2017.12.20	62,000	0.00	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in International Business, Tamkang University	(Note 1)	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C	Chuan-Jen Chang	Male	2017.12.20	173,048	0.01	0	0.00	0	0.00	Assistant Vice President, Nanya Technology Corp. Master Degree in Electrical Engineering, State University of New York, USA	N/A	N/A	N/A	N/A	N/A
Finance Officer and Corporate Governance Supervisor	R.O.C	Philip Jao	Male	2017.03.09	40,000	0.00	0	0.00	0	0.00	Executive Administrator of Nanya Technology Corp. Master Degree in Business Administration, University of Florida, USA Executive Master in Business Administration, National Taiwan University	N/A	N/A	N/A	N/A	N/A
Accounting Supervisor	R.O.C	Hung-Chi Kuo	Male	2010.12.01	0	0.00	0	0.00	0	0.00	Director, Nanya Technology Corp. Department of Accounting, National Chung Hsing University	(Note 1)	N/A	N/A	N/A	N/A

Note 1: Please refer to H. Other Special Notes I (I) 1. (5) Directors, Supervisors and Presidents of NTC's Subsidiaries.

Note 2: Where the Chairman of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of a Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response.

(Assistant Vice President Wesley Chang retired on May 18, 2021.)

III. Remuneration of Directors, President, and Vice Presidents in the most recent year

(I) Remuneration of Directors and Independent Directors

Unit: NT\$ thousands; December 31, 2021

Title	Name	Director's Remuneration								Total Remuneration (A+B+C+D) and percentage of Net Income (Note 2)		Compensation Received by a Director who is an employee of NTC or of NTC's consolidated subsidiaries								Total Compensation (A+B+C+D+E+F +G) and percentage of Net Income		Remuneration received from invested companies other than subsidiaries or the parent company																																																																																																																																																																																																																																																																																																																																																										
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C) (Note 1)		Fees for conducting business (D)				Salary, bonuses and allowances (E)		Retirement pension (F)		Remuneration for employees (Note 3) (G)																																																																																																																																																																																																																																																																																																																																																																
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Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company

1. Describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: Refer to "Three. III. (III) 2." of the Corporate Governance Report for the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.
2. Other than as disclosed in the above table, the remuneration of directors providing services (e.g., providing consulting services as a non-employee of the parent company/ the companies in the consolidated financial statements/ the invested companies) to the Company and all consolidated entities in the latest fiscal year: None.

Note 1: Remuneration was approved by the board of directors.

Note 2: Net profit after tax means the Company's net profit after tax in the most recent year. If the financial statements were prepared according to IFRSs, net profit after tax means the Company's net profit after tax on the financial statements.

Note 3: The amount of employee compensation is estimated.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Directors			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	The Parent Company and Invested Companies
Under NT\$ 1,000,000	Wen Yuan, Wong, Susan Wang, Chia Chau, Wu, Pei-Ing Lee, Ming Jen, Tzou, Lin-Chin Su, Shih-Ming Hsie, Joseph Wu, Rex Chuang, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.	Wen Yuan, Wong, Susan Wang, Chia Chau, Wu, Pei-Ing Lee, Ming Jen, Tzou, Lin-Chin Su, Shih-Ming Hsie, Joseph Wu, Rex Chuang, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.	Wen Yuan, Wong, Susan Wang, Chia Chau, Wu, Ming Jen, Tzou, Shih-Ming Hsie, Nan Ya Plastics Corp., Formosa Taffeta Co., Ltd.	Wen Yuan, Wong, Susan Wang, Chia Chau, Wu, Ming Jen, Tzou, Shih-Ming Hsie, Nan Ya Plastics Corp.,
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou,	Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou,	Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou,	Ching-Chyi Lai, Shu-Po Hsu, Tsai-Feng Hou, Formosa Taffeta Co., Ltd.
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	N/A	N/A	Joseph Wu, Rex Chuang,	Joseph Wu, Rex Chuang,
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	N/A	N/A	Pei-Ing Lee Lin-Chin Su	Pei-Ing Lee Lin-Chin Su
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$100,000,000 or more	N/A	N/A	N/A	N/A
Total	14	14	14	14

(II) Remuneration of President and Vice Presidents

Unit: NT\$ thousands; December 31, 2021

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and allowances, etc. (C)		Employee remuneration (D) (Note)				Ratio of total compensation (A+B+C+D) and the percentage of net income		Remuneration received from invested companies other than subsidiaries or the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Pei-Ing Lee	27,049	27,049	324	324	0	0	48,180	0	48,180	0	75,553 0.3307%	75,553 0.3307%	180
Executive Vice President	Lin-Chin Su													
Vice President	Joseph Wu													
Vice President	Rex Chuang													
Vice President	Yau-Ming Chen													

Note: The amount of employee compensation is estimated.

Range of Remuneration

Range of Remuneration of President and Vice Presidents	Name of President and Vice Presidents	
	The Company	The Parent Company and Invested Companies
Under NT\$ 1,000,000	N/A	N/A
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	N/A	N/A
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	N/A	N/A
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	N/A	N/A
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	N/A	N/A
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Joseph Wu Rex Chuang Yau-Ming Chen	Joseph Wu Rex Chuang Yau-Ming Chen
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Pei-Ing Lee Lin-Chin Su	Pei-Ing Lee Lin-Chin Su
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	N/A	N/A
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	N/A	N/A
NT\$100,000,000 or more	N/A	N/A
Total	5	5

Employee Compensation of Executive Officers

Unit: NT\$ thousands; December 31, 2021

Item	Title	Name	Amount in stock (Note 1)	Amount in cash (Note 1)	Total	Percentage of total bonuses to net profit after tax (%) (Note 2)
Managerial Officers	President	Pei-Ing Lee	0	86,180	86,180	0.3772
	Executive Vice President	Lin-Chin Su				
	Vice President	Joseph Wu				
	Vice President	Rex Chuang				
	Vice President	Yau-Ming Chen				
	Assistant Vice President	Chi-Meng Su				
	Assistant Vice President	Mark Mao				
	Assistant Vice President	Jeff J.P. Lin				
	Assistant Vice President	Rex Chen				
	Assistant Vice President	Chuan-Jen Chang				
	Finance Officer and Corporate Governance Supervisor	Philip Jao				
	Accounting Supervisor	Hung-Chi Kuo				

Note 1: The amount of employee compensation is estimated.

Note 2: Net income is NTC's net income after tax.

(Assistant Vice President Wesley Chang retired on May 18, 2021.)

(III) Comparison and description of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, President and Vice Presidents of the Company, to the net income.

1. Total remuneration as a percentage of net profit after tax

Unit: %

Title \ Year	The Company		Companies in the consolidated financial statements	
	2021	2020	2021	2020
Director (Note)	0.3090	0.6207	0.3090	0.6207
President and Vice President	0.3307	0.6392	0.3307	0.6392

Note: Remuneration for Directors includes compensation received by a Director who is an employee of NTC and Independent Directors.

Description:

- (1) Compared with 2020, Director's remuneration accounted for a lower percentage of net profit after tax in 2021 due to the increase in net profit after tax.
 - (2) Compared with 2020, remuneration to the President and Vice Presidents accounted for a lower percentage of net profit after tax in 2021 due to the increase in net profit after tax.
2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.
 - (1) The remuneration of NTC's Directors is determined in accordance with Article 16 of NTC's Articles of Incorporation, which stipulates that: "The Board of Directors is authorized to determine the compensation for the Directors, according to their extent and value of the contribution provided for the Company and the common compensation standards of the same industry.", Furthermore, traffic fares are based on attendances of Board meetings.
 - (2) Independent directors receive a fixed amount of compensation each month, traffic fares based on attendance of Board meetings, and do not receive any variable remuneration. Other directors only receive traffic fares based on attendance of Board meetings and do not receive any variable remuneration. All directors do not receive director's remuneration.
 - (3) NTC's Compensation Committee reviews remuneration policies, standards, structures, systems, and adjustments for Directors and executive officers, and reports to NTC's Board for approval.
 - (4) The remuneration of managerial officers including the president and vice presidents is in accordance with the Articles of Incorporation and Article 29 of the Company Act. Furthermore, salary adjustments and other compensation are determined based on the attainment of business goals or financial indicators for functions they are responsible for, individual performance and contributions, as well as leadership, communication, and innovation performance. The Company also included their economic, environmental, and social contributions and other corporate governance indicators for sustainable development, and also references salary standards in the industry.

IV. Implementation of Corporate Governance

(I) Board of Directors' Meeting Status

A total of 6 Board meetings were held in the most recent year up to December 31, 2021. Director attendance is shown as follows:

Title	Name	Attendance in person	By Proxy	Attendance rate(%)	Remarks
Chairman	Nan Ya Plastics Corp. Representative: Chia Chau, Wu	6	0	100	
Director	Wen Yuan, Wong	6	0	100	
Director	Susan Wang	6	0	100	
Director	Pei-Ing Lee	6	0	100	
Director	Ming Jen, Tzou	6	0	100	
Director	Lin-Chin Su	6	0	100	
Director	Formosa Taffeta Co., Ltd. Representative: Shih-Ming Hsie	3	3	50	
Director	Nan Ya Plastics Corp. Representative: Joseph Wu	6	0	100	
Director	Nan Ya Plastics Corp. Representative: Rex Chuang	6	0	100	
Independent Director	Ching-Chyi Lai	6	0	100	
Independent Director	Shu-Po Hsu	6	0	100	
Independent Director	Tsai-Feng Hou	6	0	100	

Other mentionable items:

- I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:
 - (I) Items specified in Article 14-3 of the Securities and Exchange Act: N/A.
 - (II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
- II. Implementation of Directors Avoiding Conflict of Interests towards Resolution:
 - (I) Name: Pei-Ing Lee, Lin-Chin Su, Joseph Wu, and Rex Chuang
 Resolutions adopted: The 1st Board meeting in 2021 was convened on February 26, 2021, to determine the 2020 bonuses for managers.
 Reasons for recusal due to a conflict of interest and participation in voting:
 The above Directors were the captioned interested party, so they recused himself from discussion and vote.

(II) Name: Pei-Ing Lee, Lin-Chin Su, Joseph Wu, and Rex Chuang

Resolutions adopted: The 1st Board meeting in 2021 was convened on February 26, 2021, to determine the number of treasury shares available for subscription by managers.

Reasons for recusal due to a conflict of interest and participation in voting:

The above Directors were the captioned interested party, so they recused themselves from the discussion and vote.

(III) Name: Pei-Ing Lee, Lin-Chin Su, Joseph Wu, and Rex Chuang

Resolutions adopted: The 4th Board meeting in 2021 was convened on August 4, 2021, in which the proposed salary raise for managers in 2021 does not exceed the salary raise for employees.

Reasons for recusal due to a conflict of interest and participation in voting:

The above Directors were the captioned interested party, so they recused themselves from the discussion and vote.

(IV) Name: Chia Chau Wu, Wen Yuan Wong

Resolutions adopted: The 5th Board meeting in 2021 was held on November 3, 2021 to discuss the proposed signing of the land lease contract with Ming Chi University of Technology.

Reasons for recusal due to a conflict of interest and participation in voting:

The above Directors were the Director or Chairman of institutional Director of Ming Chi University of Technology, and therefore recused themselves from discussion and vote.

III. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	October 1, 2020 to September 30, 2021	Board of Directors	Self-evaluation by Board members	Includes "level of participation in Company operations, improving the quality of Board decisions, Board composition and structure, selection and continuing education of directors, and internal control system."
		Individual Directors Member	Self-evaluation by Board members	Includes grasp of company goals and missions, understanding of the director's responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continuing education, and internal controls.
		Audit Committee	Self-evaluation by Committee members	Includes participation in company operations, understanding of the Audit Committee's responsibilities, improvement of the Audit Committee's decision-making quality, composition of the Audit Committee and member selection, and internal control.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	October 1, 2020 to September 30, 2021	Remuneration Committee	Self-evaluation by Committee members	Includes participation in company operations, understanding of the Remuneration Committee's responsibilities, improvement of the Remuneration Committee's decision-making quality, and composition of the Remuneration Committee and member selection.
		Risk Management Committee	Self-evaluation by Committee members	Includes participation in company operations, understanding of the Risk Management Committee's responsibilities, improvement of the Risk Management Committee's decision-making quality, composition of the Risk Management Committee and member selection, and internal control.

IV. An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

- (I) All operations of the Board of Directors are in compliance with the law, the Company's Articles of Incorporation, and resolutions of shareholders' meetings. In addition to professional knowledge, skills, and literacy required by all directors to perform their duties, the Board of Directors maximizes benefits for all shareholders based on the principle of good faith and duty of care.
- (II) We have appointed independent directors and established a good Board governance system, comprehensive supervision functions, and management mechanism. We established the Board of Directors Meetings Rules in accordance with regulations of the securities regulatory authority, including the contents of proceedings, operating procedures, matters to be specified in the meeting minutes, announcements, and other matters requiring compliance.
- (III) In accordance with regulations of the securities regulatory authority, the Board of Directors passed the resolution on September 28, 2011 to establish a remuneration committee, as well as the policy to review and submit remunerations of directors and managers to the Board of Directors for a resolution.
- (IV) In accordance with the provisions of the securities regulatory authority, the Company passed the resolution of the Board of Directors on June 22, 2016 and set up the Audit Committee to submit the resolutions of the Board of Directors to the implementation of corporate governance.
- (V) Besides annual self-evaluations of Board operations to strengthen Board functions, internal auditors prepare monthly audit reports on Board operations for review by independent directors before the end of the following month, in order to comply with regulations of the securities regulatory authority.

(VI) The Board of Directors adopted a resolution on November 4, 2020 to establish a Risk Management Committee, so as to strengthen Board functions and risk management mechanisms. The Committee will assist in the review of risk management policies and structure, risk appetite and tolerance, and supervise the implementation of the risk management system and the effective operation of related mechanisms, so as to achieve the Company's risk management goals.

(II) Audit Committee Meeting Status

The Audit Committee held a total of 6 meetings in the most recent year up to December 31, 2021. The attendance of independent directors was as follows:

Title	Name	Attendance in person	By Proxy	Attendance rate(%)	Remarks
Convener	Ching-Chyi Lai	6	0	100	
Committee member	Shu-Po Hsu	6	0	100	
Committee member	Tsai-Feng Hou	6	0	100	

Other mentionable items:

- I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the Independent Directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
- (I) The matters listed in Article 14-5 of the Securities Exchange Act.
- (II) Except previous matters, the other approved by the Audit Committee, and by more than two-thirds of all directors agreed to the matter.

Audit Committee	Content	Matters specified in Article 14-5 of Securities and Exchange Act	The other approved by the Audit Committee, and by more than two-thirds of all directors agreed to the matter
February 26, 2021 1st meeting in 2021	1. To approve the Company's 2020 financial statements.	✓	—
	2. To formulate the Company's "Internal Control System Statement".	✓	—
	Contents of dissenting opinions, qualified opinions, or recommendations of Independent Directors: None. Resolutions of the Audit Committee: All attendants agreed to pass. The Company's handling of the opinions of the Audit Committee: Matters discussed in the Audit Committee meeting were approved by all Directors in attendance during the Board meeting on February 26, 2021.		
May 5, 2021 2nd meeting in 2021	1. To amend the Company's regulations for stock affairs	✓	—
	Contents of dissenting opinions, qualified opinions, or recommendations of Independent Directors: None. Resolutions of the Audit Committee: All attendants agreed to pass. The Company's handling of the opinions of the Audit Committee: Matters discussed in the Audit Committee meeting were approved by all Directors in attendance during the Board meeting on May 5, 2021.		
June 24, 2021 3rd meeting in 2021	1. To approve the cash capital increase of the Company's wholly-owned overseas subsidiary Nanya Technology International, Ltd..	✓	—
	Contents of dissenting opinions, qualified opinions, or recommendations of Independent Directors: None. Resolutions of the Audit Committee: All attendants agreed to pass. The Company's handling of the opinions of the Audit Committee: Matters discussed in the Audit Committee meeting were approved by all Directors in attendance during the Board meeting on June 24, 2021.		

Audit Committee	Content	Matters specified in Article 14-5 of Securities and Exchange Act	The other approved by the Audit Committee, and by more than two-thirds of all directors agreed to the matter
November 3, 2021 5th meeting in 2021	1. To discuss the proposed signing of the land lease contract with Ming Chi University of Technology.	✓	—
	Contents of dissenting opinions, qualified opinions, or recommendations of Independent Directors: None. Resolutions of the Audit Committee: All attendants agreed to pass. The Company's handling of the opinions of the Audit Committee: Matters discussed in the Audit Committee meeting were approved by all Directors in attendance during the Board meeting on November 3, 2021, except for Directors who recused themselves due to conflict of interest.		
December 17, 2021 6th meeting in 2021	1. To approve the Company's internal audit plan in 2022.	—	—
	Contents of dissenting opinions, qualified opinions, or recommendations of Independent Directors: None. Resolutions of the Audit Committee: All attendants agreed to pass. The Company's handling of the opinions of the Audit Committee: Matters discussed in the Audit Committee meeting were approved by all Directors in attendance during the Board meeting on December 17, 2021.		

II. The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.

III. The communication between the Independent Director, internal audit officer of the Company's and CPA. (including major matters, methods and results of communication on the Company's financial and business conditions)

- (I) The communication between the Independent Directors and the internal audit officer of the Company
1. The amendment of the "Internal Control Systems" and "Internal Audit Implementation Rules" of the Company shall be subject to the approval of the Audit Committee and shall be submitted to the Board of Directors for a resolution.
 2. The Company's annual audit plan was approved by the Audit Committee and submitted to the Board of Directors for a resolution.
 3. The "Internal Control System Statement" of the Company shall be subject to the approval of the Audit Committee and shall be submitted to the Board of Directors for a resolution.
 4. The Audit Office regularly submits an internal audit report to independent directors for review each month.
 5. Independent Directors and the chief internal auditor conduct a review meeting at least once a quarter to communicate the internal audit execution status and internal control operation status of the Company. Besides preparing an audit report on deficiencies and abnormalities in the internal control system, cases are tracked to ensure that relevant units take appropriate improvement measures.

6. There are at least 10 communication meetings between Independent Directors and the chief internal auditor each year (excluding the Board of Directors), in which at least one meeting each year is without general Directors and managers present.
7. Summary of communication between independent directors and the chief internal auditor in 2021

Date/ Meeting	In attendance	Content	Result
February 18, 2021 Review meeting	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Managers and auditors	1. Implementation progress of the Company's internal audit plan in November through December 2020 2. Prepare an Internal Control System Statement	Good, no dissenting opinion.
February 26, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	1. Implementation progress of the Company's internal audit plan in November through December 2020 Recommendation from Independent Director: Examine the approval process of subsidiaries 2. Prepare an Internal Control System Statement	1. Noted and reported to the Board of Directors. The Audit Office and related departments have handled matters as recommended by Independent Directors. 2. Passed with the approval of all members in attendance and submitted to the Board of Directors for resolution.
April 28, 2021 Review meeting	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Managers and auditors	1. Implementation progress of the Company's internal audit plan in the first quarter of 2021 2. Proposed amendment to the Company's regulations for stock affairs	Good, no dissenting opinion.

Date/ Meeting	In attendance	Content	Result
May 5, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	1. Implementation progress of the Company's internal audit plan in the first quarter of 2021 Recommendation from Independent Director: Add a detailed list of irregular audits 2. Proposed amendment to the Company's regulations for stock affairs	1. Noted and reported to the Board of Directors. The Audit Office has handled matters as recommended by independent directors. 2. Passed with the approval of all members in attendance and submitted to the Board of Directors for resolution.
May 19, 2021 Review meeting	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Managers	Progress of correcting defects and irregularities in the internal control system in 2020 Recommendation from Independent Director: Adjust the wording of the agenda item	The Audit Office has handled matters as recommended by Independent Directors.
June 24, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Chairman and managers	Implementation progress of the 2020 audit plan	Noted, no dissenting opinion, and reported to the Board of Directors.
July 23, 2021 Review meeting	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Managers and auditors	Implementation progress of the Company's internal audit plan in the second quarter of 2021 Recommendation from Independent Director: Promote regulations in subsidiaries and step up auditing of subsidiaries	Subsidiaries and the Audit Office have handled matters as recommended by Independent Directors.

Date/ Meeting	In attendance	Content	Result
July 23, 2021 Individual communication meetings	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou	1. Items irregularly audited 2. Acquisition and disposal of assets by the Company Recommendation from Independent Director: 1. Continuing education of auditors must be reported to Independent Directors 2. Strengthen recording of audit results without any abnormalities	The Audit Office has handled matters as recommended by Independent Directors.
August 3, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	Implementation progress of the Company's internal audit plan in the second quarter of 2021	Noted, no dissenting opinion, and reported to the Board of Directors.
October 25, 2021 Review meeting	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Managers and auditors	Implementation progress of the Company's internal audit plan in the third quarter of 2021	Good, no dissenting opinion.
November 3, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	Implementation progress of the Company's internal audit plan in the third quarter of 2021	Noted, no dissenting opinion, and reported to the Board of Directors.

Date/ Meeting	In attendance	Content	Result
December 1, 2021 Review meeting	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Managers and auditors	1. Implementation progress of the Company's internal audit plan in October 2021 Recommendation from Independent Director: Method for preventing abnormalities found in audits from being repeated 2. To approve the 2022 internal audit plan.	1. The Audit Office and related departments have handled matters as recommended by Independent Directors. 2. Good, no dissenting opinion.
December 17, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. Chairman and managers	1. Implementation progress of the Company's internal audit plan in October 2021 2. To approve the 2022 internal audit plan. Recommendation from Independent Director: Conducting on-site audits	1. Noted, no dissenting opinion, and reported to the Board of Directors. 2. Passed with the approval of all members in attendance and submitted to the Board of Directors for resolution. The Audit Office will handle matters as recommended by Independent Directors.

(II) The communication between the Independent Directors and the CPA

1. The Audit Committee of the Company is composed of all Independent Directors, the CPA has presented the findings or the comments for the financial reports and the impact of the amendment of the relevant laws and regulations.
2. There are at least 5 communication meetings between independent directors and accountants each year, in which at least one meeting each year is without general directors and management present.

3. Summary of communication between independent directors and accountants in 2021

Date/ Meeting	In attendance	Content	Result
February 26, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	To explain audit opinions on the 2020 financial statements.	Passed with the approval of all members in attendance and submitted to the Board of Directors for resolution.
May 5, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	To explain audit opinions on the financial statements for the first quarter of 2021	Noted and reported to the Board of Directors.
July 23, 2021 Individual communication meetings	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou	Discussion of the accountant's conclusions and information disclosed in financial statements	Good, no dissenting opinion.
August 3, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	To explain audit opinions on the financial statements for the second quarter of 2021	Noted and reported to the Board of Directors.
November 3, 2021 Audit Committee	1. Independent Directors Ching-Chyi Lai, Shu-Po Hsu, and Tsai-Feng Hou 2. Chief internal auditor Chia-Sen Tseng 3. CPA Astor Kou 4. Chairman and managers	To explain audit opinions on the financial statements for the third quarter of 2021	Noted and reported to the Board of Directors.

IV. Key tasks of the Audit Committee this year:

The Audit Committee will continue supervise the Company in 2022 in accordance with the Audit Committee Charter and relevant laws and regulations, including:

1. Fair presentation of the financial reports
2. The hiring (or dismissal), independence, and performance of certificated public accountants.
3. The effective implementation of the internal control system
4. Compliance with relevant laws and regulations

(III) Corporate Governance Implementation as Required by the Taiwan
Financial Supervisory Commission

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
I. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	✓		The Company's board of directors approved the establishment of the "Nanya Corporate Governance Principles" on November 10, 2014, and disclosed the principles on the website designated by the competent authority of securities and the Company website.	Complies with Article 1-2 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. The contents were slightly adjusted based on our practices, but still comply with the spirit of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. The Company's shareholding structure and shareholders' rights and interests (I) Does the Company adopt internal procedures for appropriate handling shareholders' suggestions, doubts, disputes and litigation matters, and implementation in accordance with procedures?	✓		The Company has designated a spokesman and deputy spokesman, and established the investor relationship department to handle shareholders' suggestions and complaints.	Complies with Article 13 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
(II) Does the Company monitor the status of major shareholders with control over the Company and their ultimate control persons?	✓		The Company monitors changes in shareholdings or pledged shares of Directors, managers, and shareholders with more than 5% of total outstanding shares, and discloses information on shareholders with more than 5% of total outstanding shares in quarterly financial statements. Directors, managers, and shareholders with 10% or more shares complete reporting procedures on the website designated by the competent authority of securities each month.	Complies with Article 19 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the Company set up and execute the risk management and firewall between the Company and its affiliates?	✓		<p>The personnel and property of the Company has been separated definitely from other affiliates without any abnormal transactions.</p> <p>All transactions with affiliated enterprises are conducted on a legitimate basis and at arm's length. We have also set a limit on the scope and amount of endorsements and guarantees that can be provided to other companies.</p> <p>For banks, customers, and suppliers, we make a comprehensive risk arrangement through checking from computer and stop paying if any problems from same supplier.</p> <p>The Company has the internal prohibition with the Company's property, confidential information, or unable to obtain non-public information in the market to acquire its own illegitimate profits in the "Guidelines and Regulations Rule" of the Company.</p>	Complies with Articles 14 -17 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(IV) Does the Company establish internal rules prohibiting Company insiders from trading securities using information not disclosed to the market?	✓		We established Personnel Management Rules and Guidelines for the Prevention of Insider Trading to prohibit insiders from illegally profiting from trades based on information not yet disclosed to the public, and we educate employees to comply with relevant regulations.	Complies with Paragraph 3, Article 10 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	✓		<p>The “Corporate Governance Principles “of the Company stipulate that the diversity of Board members must be given due consideration, and Board members must have the necessary knowledge, skill, and experience to perform their duties, including but not limited to gender, race and nationality. In order to achieve the goals of corporate governance, the Board as a whole shall have the following abilities 1. Business judgment. 2. Ability to perform accounting and financial analysis. 3. Ability to manage a business. 4. Ability to handle crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership. 8. Decision-making ability.</p> <p>As of the end of 2021, the Board of Directors has 12 members, including 3 Independent Directors, 2 female Directors, and 4 Directors who are concurrently employees (accounting for 25%, 16.7%, and 33.3% of all Directors, respectively). The distribution of Directors by age is as follows: 3 Directors are 51-60 years old, 4 Directors are 61-70 years old, and 5 Directors are over 70 years old. Our goal is for female Directors to account for 25% of all Directors. Independent Directors are in compliance with the Code of Practice for Independent Directors of FSC. For information on the academic background, experience, gender, professional qualifications, and work experience of each director as well as Board diversity, please refer to C. Corporate Governance II (I) Directors.</p>	Complies with Article 20 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
(II) Does the Company establish other functional committee voluntarily, besides the remuneration committee and audit committee?	✓		NTC has established Remuneration Committee that approved by the Board of Directors on August 26, 2011. In addition to establish the Audit Committee and approved by the Board of Directors on June 22, 2016. Besides the two committees above, the Board of Directors adopted the resolution to establish a Risk Management Committee on November 4, 2020 to strengthen Board functions and risk management mechanisms. (please refer to "VIII. (VII) Implementation of risk management policies and risk assessment standards" of this table for its composition, duties, and operations)	Complies with Article 28 and 28-1 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	✓		The Board of Directors established the "Regulations Governing Board Performance Evaluations" on August 6, 2020 and has completed the 2021 performance evaluation of the Board of Directors, Audit Committee, Compensation Committee, and Risk Management Committee (please refer to C. Corporate Governance IV. (I) Board of Directors' Meeting Status). Evaluation results were all "excellent" and had been submitted to the Board of Directors on December 17 the same year, and will be used as a basis for determining the remuneration and nomination of individual Directors.	Complies with Article 37 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company evaluate the independence and suitability of the CPA regularly?	✓		At least once a year, the Company evaluates the independence and qualifications of the external auditors, the scope and reputation of the auditing firm, provides the number of continuous years of auditing services, the nature and extent of services provided by non-auditors, the auditing fees,	Complies with Article 29 of the Corporate Governance Best-Practice Principles for TWSE/TPEX

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
			industry evaluation, whether there were any legal suits or disputes with competent authorities, investigated cases, the quality of auditing services, whether there is regular maintenance, and the level of interaction internally between the management and auditing management, and asks the auditing CPA to provide the related information based on the evaluated index. The evaluation results were reported to the Board on February 24, 2022.	Listed Companies.
IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors to perform their duties, assisting directors with regulatory compliance, handling matters related to Board meetings and	✓		<p>1. The Board of Directors approved the appointment of a corporate governance supervisor on May 10, 2019. The corporate governance supervisor is the highest level manager of corporate governance affairs, and competent personnel are appointed to handle corporate governance affairs. The scope of authority, includes convening board meetings and shareholders' meetings in accordance with the law, preparing proceedings for board meetings and shareholders' meetings, assisting with the appointment and continuing education of directors, providing data required by directors to perform their duties, and assisting directors in compliance with the law.</p> <p>2. Key points of operations in 2021:</p> <p>(1) Assist in the compliance of proceedings and resolutions of Board meetings and shareholders' meetings.</p> <p>(2) Notify directors of the agenda of Board meetings 7 days in advance, convene meetings, and provide meeting materials. Remind directors of agenda items with which they have a conflict of interest, and complete Board meeting minutes within 20 days after a meeting.</p> <p>(3) Provide assistance by arranging meetings if</p>	Complies with Article 3-1 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Assessment item	Implementation status (Note)				Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																	
	Yes	No	Explanation																			
shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?			<p>independent directors need to meet with the internal audit supervisor or CPA to understand the Company's business needs.</p> <p>(4) Assist in providing directors with the data they need to perform their duties and arrange continuing education for directors.</p> <p>3. Continuing education of the corporate governance supervisor in 2021:</p> <table><tr><th>Date of continuing education</th><th>Course name</th><th>Organizer</th><th colspan="2">hours</th></tr><tr><td>2021.07.16</td><td>Analysis and case study of related party transactions by directors and supervisors</td><td rowspan="3">Securities and Futures Institute</td><td>3</td><td rowspan="3">12</td></tr><tr><td>2021.07.22</td><td>Foundry and advanced packaging technologies and supply chain business opportunities</td><td>3</td></tr><tr><td>2021.09.01</td><td>The 13th Taipei Corporate Governance Forum</td><td>Financial Supervisory Commission</td><td>6</td></tr></table>			Date of continuing education	Course name	Organizer	hours		2021.07.16	Analysis and case study of related party transactions by directors and supervisors	Securities and Futures Institute	3	12	2021.07.22	Foundry and advanced packaging technologies and supply chain business opportunities	3	2021.09.01	The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	6
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2021.07.22	Foundry and advanced packaging technologies and supply chain business opportunities		3																			
2021.09.01	The 13th Taipei Corporate Governance Forum		Financial Supervisory Commission		6																	
V. Does the Company build channels of communication with its stakeholders and establish a designated section for stakeholders on the Company website to respond stakeholders' CSR concerns?	✓		<p>1. Depending on the situation, the President's Office is responsible for communicating with stakeholders and the spokesperson or deputy spokesperson serve as external communication channels.</p> <p>2. The Company will comply with relevant regulations to establish a designated section for stakeholders on the company website and a corporate social responsibility website to maintain good communication with our stakeholders. Stakeholders and investors can communicate with the company by telephone, letters, facsimile, and e-mails at any time if needed.</p>																			

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>3. NTC responds to stakeholders' concerns at the appropriate time through the following channels:</p> <p>(1) Shareholder: The general shareholders can learn about the Company's operations through the annual shareholders' meetings and annual reports. They can usually be queried by telephone or email. For corporate shareholders, there are quarterly legal briefings and global conference calls, participation in investment seminars at home and abroad, participation in brokers' forums for unscheduled investors, telephone interviews, or visits.</p> <p>(2) Employee: Issues such as workplace safety, employee benefits, human rights protection, and employment relationships include corporate announcements, human resources service representatives, and regular meetings (such as staff meetings and online personnel meetings). A variety of education and training, irregular communication meetings, employee relations department channels of communication, suggestion boxes, company publications, electronic platforms, questionnaires (such as education and training satisfaction, catering satisfaction) and other channels to communicate with employees.</p> <p>(3) Client: Respond to customer-focused product quality, after-sales service and other issues by visiting customers, customer meetings, maintenance services, dealer meetings, regular technical support, customer education and training, and customer satisfaction surveys. In addition, the website lists the sales service line and e-mail address, and handles</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
			<p>customer complaints through the "customer opinion response form" and "customer complaint processing form".</p> <p>(4) Supplier: The company upholds the spirit of sustainable development and adheres to the principle of fair trade. It strives to require the compliance of manufacturers with environmental protection, work safety, and human rights standards. It conducts public tendering through the Formosa Plastics Network electronic trading platform procurement contracting system, and regularly organizes company briefing sessions to strengthen the two-way Communication and advocacy. In addition, it provides an instant supplier information platform, regular face-to-face review reports or meetings, supplier surveys, audits and guidance, and supplier delivery stability and quality assessment. Vendors can ask questions on the platform's "Vendor Feedback Section," and dedicated personnel will handle and respond to their questions to achieve the goal of information symmetry.</p> <p>(5) Government: Communication channels include correspondence, regulatory briefings, company financial reports, relevant information required by competent authorities and regulations, and communication with the competent authorities through computer associations, etc.</p> <p>(6) Community: The Company gathers together funds, supplies, and manpower inside and outside the Company through the 4U project (Focus On U, Light Up, Power Up, and Line Up) for community involvement. Information</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>is announced on the company website inform communities, and we established a Charity Club to participate in volunteer activities and launch donation activities to provide support after a major natural disaster occurs in Taiwan. There is a feedback mailbox (audit@ntc.com.tw) to provide a communication channel for community residents, and our factory has a management office to handle communication with communities.</p> <p>(7) Media: Communication methods include press releases, quarterly press conferences, the official company website, and interviews with the spokesperson.</p>	
VI. Does the Company appoint a professional stock agency to deal the shareholders affairs?		✓	The Company's shareholders' meeting currently operates on its own. However, relevant processes are handled strictly according to regulations by the special stock affairs department, legal affairs department, president's office; this allows the shareholders' meeting to be convened effectively, safely, and according to the law and with proper protection to shareholders' rights.	Does not comply with Paragraph 1, Article 7 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, but it does not affect the operations of the shareholders' meeting.
VII. Information disclosure (I) Does the Company establish a corporate website to disclose information regarding the Company's financials, operation and corporate governance?	✓		The Company has disclosed information regarding the Company's financials, operation and corporate governance on its corporate website in Chinese and English. Company website: https://www.nanya.com	Complies with Article 57 and 59 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
(II) Does the Company adopt other disclosure methods (i.e., setting of English website, appointed personnel responsible for information gathering and disclosing, implement of spokesperson system, and uploading the materials of investor conferences on website)?	✓		The Company has implemented a spokesperson and substitute spokesperson system as well as a designated personnel responsible for gathering and disclosing the Company's information as well as providing the spokesperson and relevant departments with answers to inquiries by stakeholders and the competent authorities.	Complies with Article 55, Paragraph 3 and Article 56 and Article 58 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		To strengthen corporate governance and help investors understand the Company's operations, the Company announces and reports monthly revenue on the 5th of each month, and announces and reports annual financial statements within two months after the end of each fiscal year. The Company has required the announcement and reporting of Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit starting in 2020.	Complies with Article 55, Paragraph 2 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
VIII.Does the Company have any other helpful information regarding corporate governance (i.e., the interest and care of employees, investor relations, relationship with vendors, stakeholders' rights, attendance of training courses by Directors and Supervisors, the implementation status for a risk management policy and risk measurement, the implementation status of protection for consumers or customers and liability insurance for Directors and Supervisors with respect to their liabilities resulting from exercising their duties)?	✓		<p>(I) Employee rights and interests: The Company keeps good relationships with employees and pay attention for rights of expressing opinions and suggestions. We set boxes for employees to provide their opinions at the entry of working place and through computer system as well. All are replied by designated person and we make policy of abnormal event arrangement to the protection. At the same time, department heads attend regular supervisory board meetings and labor-management meetings to fully communicate with employees. We first listen to the opinions of unions regarding major labor-management issues, and highest level supervisors negotiate with the unions to reach an agreement, ensuring harmonious labor relations and the Company's sustainable development.</p> <p>(II) Care for employees: With a view to taking care of employee physical and mental health, the Company has budgeted every year for Chang Gung Hospital to performs health checkups for employees; in addition to inspection items stipulated by law, it has added cancer screening for Alpha-Fetoprotein, AFP and carcinoembryonic antigen, CEA. This allows employees to understand and cherish their health. On the part of diet, we make health regulations to exam the source, people, storage, usage and clearance to protect employee's health and safety. Also, we have dedicated counselors that periodically interview new employees to determine how well they are adapting to the Company, and also provide them with someone for advice and talking when they encounter difficulties at work and in life. Please refer to 5. Labor Relations in V.</p>	Complies with Article 52-54 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>Business Overview for employee benefits.</p> <p>(III) Investor relations: The Company's President's Office and Stock Affairs Department serve as a communication channel between the Company and shareholders. With regard to information transparency, we provide investor information in an investor relations section on our website. We take part in investment forum held by foreign broker and hold seminars with domestic and foreign periodically.</p> <p>(IV) Supplier relations: The spirit of purchasing activities of the company is creating a fair and competitive environment and seeking for qualified vendors to coordinate with each department by reasonable price, material, equipment and engineering.</p> <p>1. Open and fair procurement mechanism: We organize "open bids" through the procurement system of Formosa Technology E-Market Place, and provide vendors with online inquiry, quotation, negotiation, purchase order, delivery, and payment progress inquiry functions. All information is encrypted via electronic certificates and protected by a firewall to ensure the safety of all data being transferred. Vendors can check requests for quotation online at any time and place, and provide quotations accordingly, significantly increasing operating efficiency while saving time and money. It also reduces operating cost and increases sales profits. After the computer opens all bids for a request for quotation, the vendor that bids the lowest price with a delivery time and quality that meet requirements will be given priority, this way both buyer and seller can achieve their goals</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
			<p>in a harmonious atmosphere.</p> <p>2. Complete supplier management: We implement comprehensive supplier management and assessment to achieve stable material quality and delivery, and also ensure the quality and progress of construction. All suppliers are assessed and graded when they register, and any late delivery (construction), poor quality, or violation of labor safety by suppliers are automatically included in their assessment records. This eliminates bad suppliers and maintains long-term relationships with good suppliers.</p> <p>3. Win-win through electronic transactions: We combined the ERP computer management system that we have perfected over the years with our quantified, open, and transparent online procurement mechanism to create a high quality, safe, convenient, and fast electronic trading environment. We have expanded to other vertical and horizontal industries to share the "Formosa Plastics Experience" with all enterprises in an electronic era. At present, our supply chain consists of over 10,000 suppliers and contractors who share the business opportunities and economic benefits of open transactions on this electronic transaction platform.</p> <p>4. Sustainable supplier management:</p> <p>(1) We comply with the RBA® Code of Conduct in our pursuit of corporate sustainability, and have committed to ethical corporate management. Besides strengthening corporate governance and ensuring shareholder equity, we strive to create a working environment with harmony, health, and safety, and develop towards green technology and environmental sustainability. We invest in social welfare to</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>meet the expectations of society and stakeholders, and also to fulfill our CSR.</p> <p>(2) Suppliers are important members for realizing the core values above. We prepared the Formosa Plastics Group Supplier/Contractor Corporate Social Responsibilities Letter of Undertaking, which contains the Code of Conduct for Suppliers/Contractors, RBA Code of Conduct, and regulations and requirements related to conflict-free minerals established by Formosa Plastics Group. Suppliers are required to make a commitment to comply with CSR regulations before signing the contract, in order to ensure that the operations or activities of suppliers (including contractors) related to workers, health and safety, environmental protection, and business ethics comply with our Code of Conduct, thus contributing to the improvement of the overall business environment for the electronics industry. We communicate elements of human rights and ethical conduct with our suppliers, and ensure that their operations or activities comply with our requirements on employee and ethical conduct by requiring them to sign a letter of commitment, fill out self-assessment questionnaires, and conduct on-site audits.</p> <p>(3) To ensure the supply chain's implementation of sustainability, the Company distributes the Nanya Technology Corporation Supply Chain Code of Conduct Questionnaire to major suppliers each year. All major suppliers have to conduct a self-assessment, fill in the questionnaire, and hand it back. Suppliers are required to reply the implementation status of various sustainability issues on the</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>questionnaire, and provide certification documents issued by related management systems. The results of the suppliers' self-assessment questionnaires shall be adopted as the basis of sustainability risk management and as reference for the Company's assistance to achieve supply chain sustainability. The questionnaire assesses economic/social/environmental aspects. We analyzed the self-evaluation results of suppliers and screened the top 5% highest risk suppliers, conducting on-site audits and providing guidance for them to make improvements. Furthermore, we conduct document or on-site audits at least once every three years to improve the sustainable management of supply chain risks, and ensure that corporate sustainability measures are implemented in the supply chain.</p> <p>(V) Stakeholder interests: The company keeps going on own business and performance and achieve mission of caring employees, customer service, and reward shareholder. In addition to better performance in the industry, the company pursues good business performance and strives to achieve its mission to “care for its employees, serve its customers, and give back to shareholders.” To that end, it bears a responsibility to properly care for its shareholders, customers, suppliers, employees, and society. In addition to complying with laws and the norms of business ethics, the Company has maintained international standards to enhance competitiveness; created shareholders' rights; pay equal attention to economic, environmental and social aspects; promote green construction and procure green or energy-conserving materials and supplies;</p>	

Assessment item	Implementation status (Note)				Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																																																							
	Yes	No	Explanation																																																									
			<p>conserve energy and reduce carbon emissions; pay attention to social issues; invest in community or social welfare actions suitable for businesses, and thus extend care for society.</p> <p>(VI) Advanced studies of directors and supervisors:</p> <table><tr><th>Name</th><th>Date of continuing education</th><th>Course name</th><th>Organizer</th><th colspan="2">Hours</th></tr><tr><td>Chia Chau Wu</td><td rowspan="5">2021.11.24</td><td rowspan="2">1.Global economic prospects in the post-pandemic era</td><td rowspan="5">Securities and Futures Institute</td><td>3</td><td rowspan="5">6</td></tr><tr><td>Wen Yuan Wong</td><td></td></tr><tr><td>Susan Wang</td><td rowspan="3">2.International carbon tariffs: Latest development trends and response methods</td><td>3</td></tr><tr><td>Ming-Jen Tzou</td><td></td></tr><tr><td>Rex Chuang</td><td></td></tr><tr><td>Pei-Ing Lee</td><td rowspan="2">2021.11.22</td><td rowspan="2">1.Value of information security in the post-pandemic era and under the US-China trade war 2.Global risk trends in the post-pandemic era</td><td rowspan="2">Securities and Futures Institute</td><td>3</td><td rowspan="2">6</td></tr><tr><td>Shih-Ming Hsie</td><td>3</td></tr><tr><td rowspan="2">Lin-Chin Su</td><td>2021.11.22</td><td>Global risk trends in the post-pandemic era</td><td rowspan="2">Securities and Futures Institute</td><td>3</td><td rowspan="2">6</td></tr><tr><td>2021.11.24</td><td>International carbon tariffs: Latest development trends and response methods</td><td>3</td></tr><tr><td rowspan="4">Joseph Wu</td><td>2021.04.29</td><td>The 24th CEO Lecture Hall and Lectures</td><td rowspan="2">Taiwan Institute for Sustainable Energy</td><td>2</td><td rowspan="4">13</td></tr><tr><td>2021.07.29</td><td>The 25th CEO Lecture Hall and Lectures</td><td>2</td></tr><tr><td>2021.11.22</td><td>Global risk trends in the post-pandemic era</td><td rowspan="2">Securities and Futures Institute</td><td>3</td></tr><tr><td>2021.11.24</td><td>1. Global economic prospects in the post-pandemic era 2. International carbon tariffs: Latest development trends and response methods</td><td>3</td></tr></table>			Name	Date of continuing education	Course name	Organizer	Hours		Chia Chau Wu	2021.11.24	1.Global economic prospects in the post-pandemic era	Securities and Futures Institute	3	6	Wen Yuan Wong		Susan Wang	2.International carbon tariffs: Latest development trends and response methods	3	Ming-Jen Tzou		Rex Chuang		Pei-Ing Lee	2021.11.22	1.Value of information security in the post-pandemic era and under the US-China trade war 2.Global risk trends in the post-pandemic era	Securities and Futures Institute	3	6	Shih-Ming Hsie	3	Lin-Chin Su	2021.11.22	Global risk trends in the post-pandemic era	Securities and Futures Institute	3	6	2021.11.24	International carbon tariffs: Latest development trends and response methods	3	Joseph Wu	2021.04.29	The 24th CEO Lecture Hall and Lectures	Taiwan Institute for Sustainable Energy	2	13	2021.07.29	The 25th CEO Lecture Hall and Lectures	2	2021.11.22	Global risk trends in the post-pandemic era	Securities and Futures Institute	3	2021.11.24	1. Global economic prospects in the post-pandemic era 2. International carbon tariffs: Latest development trends and response methods	3	Complies with Article 40 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
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Shih-Ming Hsie				3																																																								
Lin-Chin Su	2021.11.22	Global risk trends in the post-pandemic era	Securities and Futures Institute	3	6																																																							
	2021.11.24	International carbon tariffs: Latest development trends and response methods		3																																																								
Joseph Wu	2021.04.29	The 24th CEO Lecture Hall and Lectures	Taiwan Institute for Sustainable Energy	2	13																																																							
	2021.07.29	The 25th CEO Lecture Hall and Lectures		2																																																								
	2021.11.22	Global risk trends in the post-pandemic era	Securities and Futures Institute	3																																																								
	2021.11.24	1. Global economic prospects in the post-pandemic era 2. International carbon tariffs: Latest development trends and response methods		3																																																								

Name	Date of continuing education	Course name	Organizer	Hours	
Ching-Chyi Lai	2021.09.01	13th Taipei Corporate Governance Forum	Financial Supervisory Commission	6	24
	2021.09.10	Value of information security in the post-pandemic era and under the US-China trade war	Securities and Futures Institute	3	
	2021.09.15	Issues of employee bonuses and directors' remuneration – The amendment to Article 14 of the Securities and Exchange Act		3	
	2021.11.22	1.Value of information security in the post-pandemic era and under the US-China trade war 2.Global risk trends in the post-pandemic era		3	
	2021.11.24	1.Global economic prospects in the post-pandemic era 2.International carbon tariffs: Latest development trends and response methods		3	
Shu-Po Hsu	2021.09.17	1.Principles of treating customers fairly in the financial sector 2.New challenges of financial institutions in anti-money laundering	Taiwan Independent Director Association	3	18
	2021.10.27	2021 Seminar on laws concerning insider trading	Securities and Futures Institute	3	
	2021.11.22	1.Value of information security in the post-pandemic era and under the US-China trade war 2.Global risk trends in the post-pandemic era		3	
	2021.11.24	Global economic prospects in the post-pandemic era		3	
Tsai-Feng Hou	2021.09.01	13th Taipei Corporate Governance Forum	Financial Supervisory Commission	6	6

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>(VII) Implementation of risk management policies and risk assessment standards:</p> <ol style="list-style-type: none"> 1. The Board of Directors approved the establishment of a Risk Management Committee on November 4, 2020 to facilitate the Company's sound operation and sustainable development, establish a comprehensive risk management culture. The Board of Directors established the "Risk Management Committee Charter," and appointed 3 Independent Directors Ching-Chyi Lai (Convener), Shu-Po Hsu and Tsai-Feng Hou, and 2 Directors Lin-Chin Su, Joseph Wu as committee members. The Board of Directors approved the "Risk Management Regulations" on December 18, 2020. 2. The Company's Risk Management Regulations includes the risk management policy, and aims to effectively identify, analyze and assess, and continuously monitor risks, raising the risk awareness of all employees in hopes of controlling risks within a tolerable range. This ensures the completeness, effectiveness, and benefits of risk management. 3. The Board of Directors is the highest level decision-maker and supervision unit for risk management, and is responsible for establishing the Company's risk management policy and regulations. The Risk Management Committee is subordinate to the Board of Directors, and assists in the review of risk management policies and structure, risk appetite and tolerance, and supervises the implementation of the risk management system and the effective operation of related mechanisms, so as to achieve the Company's risk management goals. The Risk Management Committee convenes 	Complies with Article 16 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>meetings at least once a year, and reports the status of risk management or material risks to the Board of Directors when appropriate. A total of 2 meetings were convened in 2021 to review the implementation and operations of risk management.</p> <p>4. The Risk Management Center is headed by the president and members are departments heads, who form task forces and are responsible for implementing and supervising the work and overall risk management by the task forces. In coordination with the Company's business strategies, five risk management task forces were established, namely industrial and operational, information security, hazards, finance, and legal affairs. Each risk management task force collects information on risks in the internal and external environment. Besides monitoring risks in routine operations, the task forces are required to track and assess the risk level of risk factors, and take improvement measures accordingly. The task forces then report risk management results to the Center.</p> <p>5. The Risk Management Center meets quarterly to review the performance of risk management organizations and business continuity plans, in order to ensure the suitability, relevance and effectiveness of its ongoing operations.</p> <p>6. The process of risk management: background data collection → risk analysis → operational impact analysis → confirmation of control mechanisms and setting of regulatory indicators → risk assessment → prevention and improvement measures → selection of recovery plan and strategy.</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>7. Emergency response mechanism and measures: The Company has a complete set of operational norms and methods for handling emergency anomalies, covering manufacturing, supply chain and warehousing, information security, human resources and other aspects. Through the pre-sufficient plan, can immediately take response measures in the event of an emergency, mitigate the impact of the incident and quickly recover, ensure the normal operation to meet client needs. For example, raw material shortage, affecting 10% of output (such as earthquakes, typhoons, toxic gases, fire alarms, labor shortages, etc.), abnormal utilities systems, abnormal automation systems, abnormal outsourcing capacity, and large number of customer returns, all have specific treatment steps and improvement measures. In addition, the emergency response to personnel safety, such as fire alarm, gas leakage, leakage, odor, earthquake and radiation leakage, emergency response measures, notification procedures and command systems are all in accordance with EHS related regulations and drilled regularly.</p> <p>8. Risk identification: NTC identifies risks based on the risk items proposed by the Risk Management Center each year. The industrial and operational, information security, hazards, finance, and legal affairs risk management task forces proposed 180 risk items in 2021. and approached to taking response measures based on the risk level of risk items. Statistics of identified risks are as follows: 0 items that require immediate improvement, 9 items that require improvement plans, 104 items that require indicators for monitoring, and 67 items</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
			<p>that require further observation. The items that require improvement plans mentioned above are mainly 7 operation items (abnormal power supply from Taiwan Power Company, abnormality of network switches in the clean room, employees working excessive hours, employee turnover/poaching, impact of COVID-19, water shortage, earthquake, and fire accident), 2 information security-related items (ineffective terminal protection, OT equipment attacked or damaged). The task forces have formulated and taken response measures for items, and have established related handling mechanisms.</p> <p>9. Stress test: The Company conducts sensitivity analysis and stress tests on major risks, including the industry environment, production and sales strategy, water resources, financial position, climate change, information security, and compliance, on an annual basis. We seek to learn about the impact of potential risk factors on the Company's finances, and provide senior executives with information for formulating response measures to mitigate risks and prevent impact brought to the Company by extreme events.</p> <p>10. Emerging risks: We pay close attention to changes in the economic environment. We identify long-term risks and opportunities and adapt our business strategies to ensure sustainability and long-term operating performance. Each task forces or supervisors at each level collect related domestic and international information to evaluate potential risks in the Company's long-term operations. Emerging risk issues with the highest potential</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
			<p>impact are verified through questionnaires or evaluation during senior executive meetings, and reviewed mitigation and response strategies. The issues and strategies are reported to the Risk Management Center for resolution and used as important references for formulating future business strategies. They are also disclosed in the Sustainability Report. Department heads gathered events in 2021, and senior executives identified 3 material emerging risks. The Company has formulated response countermeasures while continuing to implement improvements with the aim of mitigating related impacts (please refer to G. Financial Status, Operating Results and Risk Management VI (XIII) 3. Emerging risks).</p> <p>11. Creating a risk culture: We established a Risk Management Committee under the Board of Directors to create a comprehensive risk management culture. The committee supervises the implementation of the risk management system and the effective operation of related mechanisms, so as to achieve the Company's risk management goals. The committee comprehensively implements risk management affairs according to the scope, organization, duties, and risk management procedures set forth in the Risk Management Regulations. The Company's "Risk Management Center" has 3 Directors who are concurrently managerial officers (president, executive vice president, and Vice President Wu) as its director and deputy directors. The Center internalizes risk awareness in the management hierarchy, enhances risk management, and reviews risk management performance and emerging risks on an annual</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Explanation	
			<p>basis. We also included risk management result in the annual performance evaluation of management (president and supervisors ranked assistant vice president and above), which was approved by the Board of Directors, through the objectives by top managers to implement risk management measures and comprehensively raise the Company's risk awareness. In addition, a variety of incentives are provided to encourage employee proposals and stimulate peers to think innovatively to explore potential risks. We set up a 24-hour reporting hotline, information security hotline, whistleblower hotline, and whistleblower mailbox for employees to report risks, and also deeply rooted the risk management culture among all employees through TV walls, posters, and desktop wallpapers. Our evaluation regulations have already included employees' understanding and implementation of risk management as an evaluation item in quarterly work evaluations and year-end evaluations, and serves as a basis for performance ratings, promotion, bonuses, and stock options, as well as the implementation of risk management measures. Furthermore, the Company also irregularly organizes management activities to raise employees' risk awareness, such as the "Information Security Month" in 2021, during which information security seminars, online Q&A, information security challenge, and information security angel selection built employees' consensus of information security, and created a culture in which all employees participate in the prevention and improvement of risks.</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>12. Risk management education and training: The Company's managerial officers and Directors take corporate governance-related risk management courses offered by government agencies every year. In addition, business strategy-related risk management courses were offered to members of the Risk Management Committee in 2021, in order to assist and strengthen the Company's risk management operations. Furthermore, the company internally compiles risk management materials, assigns employees to read the materials to raise their risk awareness. The Company also implements the spirit of risk management in daily management. For example, various standard operating practices and various types of management functions regularly perform self-inspection operations to identify potential risks as early as possible for prevention and improvement.</p> <p>(VIII) Implementation of Customer Policy:</p> <p>1. Customer royalty will be helpful to expand the business scope and strengthen the good partnership with customers. Maintaining good customer relationships help build customer loyalty, and higher loyalty benefits business scope expansion and maintaining partnerships with customers. Creating quality service is one of the core values of the company. The company's goal is to maintain its service in leading position among DRAM manufacturers, and believes that maintaining the aforementioned service objectives and attitudes will help to enhance the existing customer relationship and establish a reputation in the industry, which will be beneficial to attracting new customers.</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>2. Product design and test verification stage: In order to improve the efficiency and frequency of customer service and effectively build close relationships with customers, the Field Application Engineering Division provides technical support to customers in Taiwan, China, Southeast Asia, Europe, the United States, Japan and South Korea, organizing irregular technology exchange events to meet the technical needs of customers. In 2021, the Division held a total of 93 events, providing technical supports and assisting customers' engineering personnel to solve problems in design and testing. In addition, through the highly efficient, intensive, and high-quality customer platform parameter measurement service, of which 1,036 cases were completed in 2021, we assisted customers in understanding the characteristics of their product platforms so that the new product development progress and verification cycles of customers were significantly accelerated, reducing investment risks and helping final products to be launched in a timely manner in the demand market. We also provide "customer product joint validation" services, and help customers discover compatibility issues during early stages of product development and validation, so that they can make improvements before mass production. We completed a total of 29 joint validation services in 2021.</p> <p>3. Production and sales stag: NTC has obtained the ISO 9001:2015 and IATF 16949:2016 quality system certifications. The Quality Assurance Division monitors and controls product quality as well as implements improvements in order to</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>make sure that all production processes are fully optimized. Moreover, the Division includes each stage of the production process into a well maintained and tightly controlled system, manufacturing the products that meet customers' requirements. The Company's business staff continuously communicates with the customer through the weekly feedback of the customer's future demand forecast. The company's production and sales system converts into a production plan after the head office aggregates the needs of global business feedback. According to weekly feedback from business staff, it is continuously adjusted to facilitate production to meet customer needs. To ensure that product shipments can meet customer needs, the company cooperates with the world's top international express delivery companies to select the most appropriate delivery company based on customer area and delivery efficiency.</p> <p>4. After-sales service stage: We are committed to improving product quality and rapidly responding to customers' quality issues to meet their expectations. In order to accelerate the efficiency of problem analysis, our service team will fully understand the problems reported by customers first, update analysis progress to customers based on analysis plans, and send customers corrective measures and handling methods once analysis is completed. Thanks to the cooperation between Field Application Engineering Division, Quality Assurance Division, Product Engineering Division, and Manufacturing Process Division, as well as process management carried out via the</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>customer complaint handling system, 97% of customer complaint cases were resolved within target deadlines in 2021. We will continue to maintain frequent communication with customers and understand how customers use our products and failure conditions in the shortest time possible, in order to accelerate problem analysis and solve problems.</p> <p>5. Customer privacy protection: The customer is an important partner of the company. Therefore, the customer's privacy and confidential information are classified as confidential information. In order to ensure the protection of confidential information, the company has established "company confidentiality management regulation" for employees to follow when dealing with customers' information. The company will also regularly conduct advocacy and audits to enhance the awareness and ability of all employees in the process of classifying and handling confidential information. In addition, only authorized personnel have access to customers' information stored into the document control center. There were no customer privacy violations in 2021. If customers have any concerns or facts concerning leakage of information, they can also file a complaint through the company's report box. Their email address is forcibly printed on each employee's business card. The customer can be obtained from the company's employee's business card.</p> <p>6. Customer Satisfaction: We employ an external third-party institution to for direct trade and to conduct end customer satisfaction surveys via the Internet or interviews, in hopes of</p>	

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
			<p>understanding customers' needs from a fair and objective perspective. Content of the survey include product, delivery, quality, technical service, communication, business model, and comparison with competitors. With regard to items with low-satisfaction, relevant departments are responsible for the review and proposing corrective measures. In addition, the results of customer satisfaction surveys are reported during top management meeting. Then the sales staff will provide customers with improvement results or the direction of continuous improvements, as to continue enhancing customer satisfaction. In order to improve customer satisfaction, we specially established a review platform that gives priority to handling customers' needs and making improvements accordingly. Our average customer satisfaction score was 93.8 points in 2021, surpassing the goal of 90 points, and our customer satisfaction has gradually increased each year over the last three years.</p> <p>(IX) Case where the company purchased liability insurance for directors: We have insurance coverage for all directors, please refer to MOPS.</p>	Complies with Article 39 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
<p>IX. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the Taiwan Stock Exchange Co., Ltd. and provide priority measures and measures for those who have not yet improved.</p> <p>The Taiwan Stock Exchange's Corporate Governance Center had not released the results of the 8th (2021) Corporate Governance Evaluation as of the date of report, improvement measures we plan to implement for items that we did not receive scores for in the 8th evaluation, and new indicators of</p>				

Assessment item	Implementation status (Note)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Explanation	
enhanced measures in the 9th evaluation (2022) are as follows:				
(I) The Board of Directors approved the election of Directors on February 24, in which the number of Independent Director seats increased from 3 to 4, and will reach one third of all Director seats after the election during the annual general meeting on May 26.				
(II) We plan to submit the interim financial report to the Audit Committee for approval, and to the Board of Directors for discussion and resolution.				
(III) We plan to use video chat to support the annual general meeting.				

Note: Summarize operations in the description field regardless of whether "Yes" or "No" was selected.

(IV) Composition and Operations of the Company's Remuneration Committee or Nomination Committee

1. Information on Remuneration Committee Members

March 28, 2022

Capacity	Qualifications		Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name	Professional qualifications and experience		
Convenor Independent Director	Shu-Po Hsu	Formerly served as the chairman of the Life Insurance Association of the Republic of China, and is currently the chairman of the General Chamber of Commerce of the Republic of China and vice chairman of Taiwan Life. Has a wealth of experience in management, finance, insurance, and leadership in numerous industries; provided opinions and fulfilled duties from an independent and objective position while serving as an independent director; also serves as the convenor of the Company's Compensation Committee, and is a member of the Audit Committee and Risk Management Committee; does not have any conditions specified in Article 30 of the Company Act.	No spouse or relative within the second degree of kinship serves as the Company's director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.	N/A
Independent Director	Ching-Chyi Lai	Formerly served as deputy secretary-general at the Executive Yuan, chief secretary at the National Development Council, and chairman of Chunghwa Post Co., Ltd., has an accountant certificate, and is currently a chair professor at the Department of Finance, Chung Hua University. Has an expertise in management, accounting, or finance; provided recommendations and fulfilled duties from an independent and objective position while serving as an independent director; also serves as the convenor of the Company's Audit Committee, and is a member of the Risk Management Committee and Compensation Committee; does not have any conditions specified in Article 30 of the Company Act.	No spouse or relative within the second degree of kinship serves as the Company's director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. Began serving as the independent director of Excellence Optoelectronic Inc. in March 2018.	1
Independent Director	Tsai-Feng Hou	Formerly served as the president of a securities firm and is currently the special assistant to the chairman of OSE Corp. Has experience in finance, securities, and semiconductor packaging and testing industries; provided recommendations and fulfilled duties from an independent and objective position while serving as an independent director; is a member of the Company's Audit Committee, Compensation Committee, and Risk Management Committee; does not have any conditions specified in Article 30 of the Company Act.	No spouse or relative within the second degree of kinship serves as the Company's director, does not hold the Company's shares in his/her own name, spouse, or others, does not provide audit, business, legal, financial, and accounting services to the Company and receive compensation for such services, and is compliant with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.	N/A

2. Remuneration Committee Meeting Status

- (1) There were 3 members of NTC's Remuneration Committee.
- (2) Current term for the members: May 30, 2019 ~ May 29, 2022. A total of 2 meetings of the Remuneration Committee were held as of December 31, 2021. The qualifications and attendance of committee members is shown below:

Title	Name	Attendance in person	By Proxy	Attendance rate (%)	Remarks
Convener	Shu-Po Hsu	2	0	100	
Committee member	Ching-Chyi Lai	2	0	100	
Committee member	Tsai-Feng Hou	2	0	100	

Other mentionable items:

- I. If the Board of Directors did not adopt or revise the recommendations of the Remuneration Committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Remuneration Committee (if the board of directors approved salaries higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason): None.
- II. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.
- III. Scope of authority of the Remuneration Committee:
The Remuneration Committee performs the following duties in accordance with the Remuneration Committee Charter and relevant laws and regulations, and submit recommendations to the board of directors for discussion:
 1. Periodically review the Company's Remuneration Committee Charter and submit revision recommendations.
 2. Establish and periodically review director and manager performance evaluation and remuneration policies, systems, standards, and structures.
 3. Periodically evaluate and set the remuneration to directors and managers.
- IV. Operations in the most recent year:

Board of Director	Content
February 26, 2021 1st meeting in 2021	1. Proposed employee bonuses for managers in 2020. 2. Proposed the number of treasury shares available for subscription by managers.
	Remuneration Committee Resolution on February 26, 2021: All attendants agreed to pass. The Company's handling of the Remuneration Committee's opinions: Except from some Directors who recused themselves due to conflict of interest, the remaining Directors approved the proposals.
August 4, 2021 5th meeting in 2021	1. Proposed salary raise for managers in 2021 does not exceed the salary raise for employees.
	Remuneration Committee resolution on August 3, 2021: All attendants agreed to pass. The Company's handling of the Remuneration Committee's opinions: Except from some Directors who recused themselves due to conflict of interest, the remaining Directors approved the proposals.

3. Information on Members and the Operation of the Nomination Committee: None.

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

For details on implementation status, please refer to the Sustainability Report on our website. (<https://www.nanya.com/tw/CSR>)

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		<p>1. We believe that "what is taken from society should be used in the interest of society," and fulfill our sustainable development through "corporate governance," "environmental protection," and "social welfare." We established KPI for energy conservation, environmental protection, and assistance for the underprivileged. These KPI are constantly reviewed and improved based on the spirit to strive for absolute perfection, and are applied to CSR related work.</p> <p>2. Implementation status of the sustainable development organization</p> <p>(1) We formally established a Sustainable Development Committee in 2018 to implement our sustainable development strategy and management policies and goals for material issues each year. The company is the highest level execution unit. All departments participate in the committee, which is chaired by the president, and assistant vice president and above managers serve as committee members. The committee reports the Company's sustainable development strategies, vision, goals, implementation policies, and results (please refer to the sustainability report) to the Board of Directors at least once a year.</p> <p>(2) The Sustainable Development Committee plans execution of corporate governance, economic, social, and environmental aspects, in which the Corporate Governance Supervisor, Finance Officer, Director of Human Resources, and Director of Safety and Health</p>	Complies with Article 9 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies .

		<p>serve as the director-general for planning sustainable development affairs in each aspect, and report their implementation status and results to the Sustainable Development Committee each quarter.</p> <p>The "Corporate Governance Working Group", "Environmental Sustainability Working Group", "Social Engagement Working Group", "Supply Chain Management Working Group" and "Customer Relations Working Group" were established in coordination with material issues in the four aspects of sustainable development, and continue to review key projects and establish KPI to achieve sustainable development goals.</p> <p>A dedicated sustainable development organization was established under the President's Office to handle the following affairs:</p> <p>A. The Sustainable Development Committee meets on a quarterly basis to formulate the Company's sustainable development strategy, vision, goals, management policy, and related systems.</p> <p>B. Plan and execute the Company's sustainable development action plans, control progress, and conduct performance assessments.</p> <p>C. Assist working groups in planning sustainable development related approaches, follow up on the execution and performance assessment of material issues, and report execution results to the Sustainable Development Committee.</p> <p>(3) A total of 4 Sustainable Development Committee meetings were convened in 2021, and the implementation progress of sustainable development was reported to the Board of Directors on June 24.</p> <p>3. The Sustainable Development and Risk Management Group reports the sustainability-related work carried out by the Sustainable Development Committee in the previous year, allowing the Board of Directors to fully understand the Company's progress in sustainability work, goals for material issues in the new year, implementation status of goals in the previous year, highlights, and stakeholder engagement. Key points of the report are as follows:</p>	
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		<p>(1) Sustainable development highlights in the current year.</p> <p>(2) The Company's sustainable development organization and formulation of sustainability strategies.</p> <p>(3) Overview of sustainable performance, recognition, and awards in the current year.</p> <p>(4) Goal management and performance review of material sustainability issues in the current year, and goal-setting for material sustainability issues in the following year.</p> <p>(5) Encourage participation in domestic and overseas sustainability evaluations, internalize recommendations from the evaluations, and future improvement direction for sustainability.</p> <p>4. The Company will review the establishment of the Sustainable Development Committee under the Board of Directors in 2022, in order to strengthen the supervision mechanism for the Company's implementation of sustainable development.</p>	
<p>II. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</p>	✓	<p>1. The scope of contents related to sustainability is mainly the Company and its subsidiaries, in which environmental and labor safety performance related data does not include the design house in Hsinchu, Taiwan, overseas design houses, and sales offices (the locations are all offices and do not engage in any production, so there is very low significance to environment related use and consumption).</p> <p>2. The Company complies with the materiality analysis approach developed by the Global Reporting Initiative (GRI), and determine material sustainability issues through six procedures: (1) Determine which stakeholders to communicate with; (2) Collect sustainability issues; (3) Survey the level of concern; (4) Measure the effect on operations; (5) Verify material issues; (6) Decide material issues. We established policies to effectively identify, measure, evaluate, supervise, and manage risks based on the material issues that were identified, in hopes of reducing the impact of related risks. We also formulated sustainability goals in 2022 and 2025.</p> <p>Our risk management strategies for material issues in 2021:</p>	<p>Complies with Article 3, Paragraph 2 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies .</p>

		<p>(1) Environmental issues:</p> <p>A. Green products: We use complete advanced processes to provide competitive advantages in optimized energy consumption, efficacy, and chip sizes. In addition, we manufacture more advanced, more energy-saving, more eco-friendly, and hazardous substance free products for our customers, while lowering the environmental impacts of the products.</p> <p>B. Climate change: We will include climate change risks into overall considerations of operations, and predict the probability of risk occurrence and levels of influence, formulating risk response plans and crisis handling mechanisms in order to issue warnings as early as possible to mitigate the impact of climate risks on our operations.</p> <p>C. Energy Management: We will improve the efficiency of energy use, promote energy saving measures, reduce greenhouse gas emissions, as well as lower environmental pollution to improve our image in society, and lower manufacturing cost while meeting the requirements of customers or government policies.</p> <p>D. Water Management: Through daily management, reductions and water recovery, we maximize the use of water resources and lower environmental pollution and production cost, while setting up response mechanisms for water shortage to mitigate the production impact risks resulting from water shortage.</p> <p>E. Waste Management: We will recycle waste to improve the effective use of resources and reduce other problems deriving from pollution. Moreover, we will provide waste to other industries for reuse, achieving the advantages of environmental impact reductions and circular economy development.</p> <p>(2) Social issues:</p> <p>A. Talent Retention and Employee Care: We will build a diverse and inclusive company culture, so that our employees are able to contribute their thoughts, experiences, backgrounds, and individual characteristics to enliven team</p>	
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		<p>atmosphere, stimulate creative thinking, and enhance work performance.</p> <p>B. Employee development: As a people-oriented company, we established an advantageous training development system, reinforcing our employees' core technological capabilities to achieve our annual strategic goals, create a harmonious workplace, and cultivate excellent high-tech semiconductor talent.</p> <p>C. Occupational Health and Safety: Employees are our important assets. Through continuous improvements in providing employees with a safe and healthy working environment, we aim to enhance the awareness of safety culture, strengthen self-inspection, and reduce employee occupational accidents.</p> <p>D. Social engagement: Based on our core competencies and values, we are building a sustainable enterprise and technological homeland through the reinforcement of industry-academia cooperation and exchange, humanistic care, environmental conservation, and community harmony.</p> <p>E. Human rights: We value basic human rights, implement a human rights culture and training, establish principles of risk mitigation and compensation, and create a working environment that protects human rights.</p> <p>(3) Corporate governance issues:</p> <p>A. Risk Management: We will establish and maintain effective risk management mechanisms and constantly improve them, lower operation cost to ensure corporate sustainable profits, and create a quality working environment to achieve the goals of corporate sustainable operation.</p> <p>B. Ethical Corporate Management: We will build a sound corporate governance system and implement various business ethics policies and risk management mechanisms between suppliers, customers, and stakeholders to maintain the important cornerstone of corporate sustainable operation and value creation.</p>	
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		<p>C. R&D and Innovation: In order to maintain competitive advantages, we will research and develop advanced process technologies as well as design new products of the next generation, make forward-looking market plans while providing customers high value-added solutions, and establish high intelligent product lines to enhance efficiency.</p> <p>D. Customer Service: We will provide comprehensive customer services. Through regular communication and visits, we are able to understand customers' opinions about our products and services, which help us grasp customers' needs. Therefore, we will make further improvements to enhance customer satisfaction and market image.</p> <p>E. Sustainable supplier management: We will promote sustainable performance of suppliers, improve resilience of supply chains, manage and control supply chain risks, and cooperate with suppliers to become the best partners in order to jointly move towards a sustainable future.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p>	✓	<p>1. The Company has established an EHS Management Policy, EHS Management Regulations, Management Information System, and Office Automation System according to environmental protection regulations (such as the Air Pollution Control Act, Water Pollution Control Act, Waste Disposal Act, and Toxic and Concerned Chemical Substances Control Act) established by the Environmental Protection Administration, strengthening the EHS management in our factories through a comprehensive system. Furthermore, we implemented an environmental accounting system, monitor environmental expenditure information and benefits, and disclosure our environmental protection measures to stakeholders.</p> <p>2. Our environmental management systems were certified by an independent third party according to the standards established by international organizations,</p>	<p>Complies with Article 13 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>

		<p>and the certification is still effective as of the date of report. Such as:</p> <p>(1) ISO 14001, ISO 14064-1(Scope 1, 2, 3), and ISO 50001.</p> <p>(2) Compiled a GHG inventory (LCA; 100% product items).</p> <p>(3) Disclosed environment related data on the Sustainability Report and ESG website (https://www.nanya.com/CSR/tw/csr_report.html).</p>	
(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact	✓	<p>We attach great importance to customers' health and safety in each stage from material procurement to product sales. We continue to improve production processes and are developing non-toxic, eco-friendly, and green energy products in coordination with market trends and the needs of downstream customers.</p> <p>1. Eco-friendly Products</p> <p>(1) We strive to develop advanced, highly efficient, and eco-friendly products to jointly protect the Earth. We not only assist customers in developing low-energy consumption products, but also exert our influence on the supply chain for hazardous product management and conflict minerals management.</p> <p>(2) We measured the electricity savings from the low power DRAM and 20nm consumer DRAM products sold in 2021 based on how electronic products containing the DRAM products are used, and determined that the products saved approximately 712,170,000 kWh, reducing CO₂e by 357,507 tons, which is roughly 919 times the CO₂ absorption of Daan Forest Park for one year (389 tons of absorption). This contributes to our business expansion and maintaining a green planet.</p> <p>2. Set and effectively monitor key indicators of material issues:</p> <p>Our GHG emissions are certified by an independent third party every year, and we set energy conservation and carbon reduction goals every year.</p> <p>3. Certification by an independent third party and information disclosure on the website of international evaluation institutions:</p> <p>We successfully passed the external certification for ISO 14001 Environmental Management System, and</p>	Complies with Article 12 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

		<p>implement environment improvement plans each year based on the spirit of making constant improvements, so as to minimize our environmental impact. Furthermore, we began using process gases with lower global warming potential and waste gas treatment equipment with high reduction rate in 2006 to reduce our GHG emission. We compile a GHG inventory according to ISO 14064-1 each year, and commission an independent third-party for verification. The information is disclosed on our Sustainability Report and the ESG website.</p> <p>4. Establish a Green Product Committee for management and zero violation records:</p> <p>We are committed to promoting environmental protection management, formulating EHS performance indicators, promoting various waste reduction and resource reuse, greenhouse gas reduction and other projects, and implementing green product management in coordination with the Green Product Promotion Committee, in order to comply with the global trend of environmental protection. Our environmental protection certificate management, testing contents, and reporting items were all handled according to law. There was no violation of environmental protection regulations in 2021.</p> <p>5. Renewable energy:</p> <p>We purchased 10.4 million kWh from onshore wind farms in 2021; signed another 10-year solar power purchase contract with 2022, and expects to obtain 25 million kWh of renewable energy each year, reaching the threshold for the early bird incentive in the major electricity user clause of the Renewable Energy Development Act in advance. We will evaluate large sites for renewable energy, so that renewable energy will account for 25-30% of our electricity use in 2030, achieve the government's targets early, and gradually meet the SBT/ RE100.</p>	
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now	✓	<p>1. We established a Climate Change Management Working Group overseen by the President's Office, and include climate change response as a topic of discussion during quarterly meetings of the Sustainability Development Committee, listing issues as requiring resolution or execution. We are actively implementing energy</p>	Complies with Article 17, Paragraph 1 of the Sustainable Development Best Practice

and in the future and adopted relevant measures to address them?		<p>conservation and carbon reduction measures, and strive to mitigate climate change and improve the Company's adaptability.</p> <p>2. Our Business Risk Management Working Group considers the potential impact of climate change to our overall operations each quarter, estimating the probability of risks and their impact. Main climate risks that we have identified include customer requirements on low carbon products, the implementation of total GHG emission control, higher unit price of electricity in 2025, and unstable power supply due to climate change. We have established risk response and mitigation plans, as well as crisis management mechanisms, which enables the working group to give warnings in advance and mitigate the impact of risks on company operations. Furthermore, we have also identified the opportunities brought by climate change, including the implementation of ISO 50001 Energy Management, supplier engagement in energy conservation and carbon reduction, and development and expansion of low carbon products and services. We will be able to effectively reduce electricity consumption, increase the green value of products, enhance product competitiveness, and increase revenue by seizing these three opportunities.</p>	Principles for TWSE/TPEX Listed Companies.
(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓	<p>1. The scope of the Company's environmental and labor safety related performance is mainly the Company and its subsidiaries, and does not include the design house in Hsinchu, Taiwan, overseas design houses, and sales offices (the locations are all offices and do not engage in any production, so there is very low significance to environment related use and consumption). Furthermore, the Company has established a Sustainable Development Policy and Occupational Health and Safety and Environmental Management Policy, and established regulations for energy conservation and carbon reduction, GHG reduction, water use reduction, and other waste management on this basis. Statistics of GHG emissions, water consumption, and waste generated in the past two years are as follows:</p>	Complies with Article 17, Paragraphs 2-3 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

(1) GHG emissions (all business locations in Taiwan)

Item	2020	2021
Scope 1 (Metric tons CO ₂ e)	90,327	93,192
Scope 2 (Metric tons CO ₂ e)	379,417	376,262
Emissions per unit production capacity (Metric tons CO ₂ e /thousand die)	420	418

(2) Water use (all business locations in Taiwan)

Item	2020	2021
Water consumption (10,000 metric tons)	336.9	345.6
Water consumption per unit capacity (metric tons/thousand die)	3.01	3.08

(3) Waste generation (all business locations in Taiwan)

Item	2020	2021
Hazardous waste (Metric ton)	17,323	17,473
Emissions from hazardous waste per unit production capacity (kg/thousand die)	15.5	15.6
General waste (Metric ton)	6,090	7,113
Emissions from general waste per unit production capacity (kg/thousand die)	5.4	6.3

2. The Company carries out GHG reduction management, water management, and other waste reduction management in accordance with government laws and regulations, as well as the Company's environment management policy. We managed goals for material issues identified by stakeholders, and review the progress of goals every six months to achieve better implementation.

Issue	2022 Goals	2021 Goals	2021 Performance	Goal achievement
GHG management	Reduce GHG emissions per unit product by 30% from 2017	Reduce unit chip GHG emissions by 25% from 2017	Decreased 30%	Goal achieved
	Reduction rate of PFCs emissions from processes reaches a minimum of 93%	Reduction rate of PFCs emissions during process reaches 90 %	Reduction rate reach 93%	Goal achieved
	Reduce unit perfluorocarbons emissions by 27% from 2015	Reduce unit perfluorocarbons emissions by 25% from 2015	Decreased 26.9%	Goal achieved

		Issue	2022 Goals	2021 Goals	2021 Performance	Goal achievement	
			Annual average process waste water recovery ratio: 90% and above (according to the formula set by Hsinchu Science Park Bureau)	Annual average process waste water recovery ratio: 87% and above	Annual average process waste water recovery ratio: 90.8%	Goal achieved	
		Water Management	Other losses in production caused by restricted water supply: 0 wafers	Other losses in production caused by restricted water supply: 0 wafers	Other losses in production caused by restricted water supply: 0 wafers	Goal achieved	
		Waste recycling and reuse	Non-compliance with environmental laws and regulations: 0 cases	Non-compliance with environmental laws and regulations: 0 cases	0 cases	Goal achieved	
			Rate of auditing and coaching waste disposal contractors on-site > 90%	Rate of auditing and coaching waste disposal contractors on-site > 80%	Auditing and counseling rate of 92%	Goal achieved	
			Reduce unit chip VOC emissions by 46% from 2017	Reduce unit chip VOC emissions by 40% from 2017	Decreased 46.3%	Goal achieved	
		3. The goals set for the material issues above and actual implementation data within the scope of the issues have been verified by an independent third party with AA1000 Type 2 assurance, which is still effective as of the date of report.					
IV. Social issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓	<p>We comply with labor related laws and regulations, such as the Labor Standards Act, and also comply with the UN Universal Declaration of Human Rights, UN Guiding Principles on Business & Human Rights, and International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, in order to protect the fundamental human rights of employees and customers. We established regulations and systems for employee rights and interests, and provide stable and preferential salaries, complete education and training, a promotion and development system, and a safe and healthy work environment to enhance employees' professional competencies. The president of NTC has signed the human rights policy in August 2018.</p>					Complies with Article 18 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

<p>(II) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p>	<p>✓</p>	<p>1. We have established clear rules for employee promotion, evaluation, training, reward, and punishment.</p> <p>(1) The salary standard for new employees is based on the academic background and work experience of the required talent, as well as the spirit of "equal pay for equal work." The basic pay of male and female employees at the same job grade is 1:1. After employees are hired, they receive salary raises and promotions based on their work performance.</p> <p>(2) The Company set goals for the percentage of female managers each year, and examines the attainment of the goals, in order to give male and female employees equal pay and equal opportunity for promotions. Approximately 27.6% of employees were female and 33.6% of managers were female in 2021.</p> <p>(3) The Company's holidays include two-day weekends, national holidays, and other holidays specified by the central competent authority. We also provide employees with special leave in accordance with the Labor Standards Act. Other employee benefits include holiday bonus, accommodations, and shuttle bus (please refer to E. Labor Relations V. Business Overview for other employee benefits).</p> <p>2. Our employee salaries include base pay, various allowances, and other compensation. Furthermore, we also offer variable compensations based on employees' individual performance and attainment of organizational goals (or profitability). In doing so, we reward employees for their excellent performance and share with them the profits we make as a group, regardless of their gender. Pursuant to the Articles of Incorporation, the Company shall allocate 1% to 12% of its pre-tax profits, if any, as employee bonuses. Please refer to 8. Employee Bonuses and Directors' Remuneration in D. Capital Overview for the distribution of employee bonuses.</p>	<p>Complies with Article 21, Paragraph 2 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>(III) Does the Company provide employees with a safe and healthy working environment, and implement regular</p>	<p>✓</p>	<p>1. The safe and healthy work environment provided by the Company to employees is described below:</p> <p>(1) Operations of the Occupational Safety and Health Committee: Senior executives, department heads, and committee members (34% are labor representatives in accordance with the law) participate in committee</p>	<p>Complies with Article 20 of the Sustainable Development Best Practice Principles for</p>

<p>safety and health education for employees?</p>		<p>operations. The committee reviews the attainment of EHS management goals, safety and health issues, hazards identification, and risk assessment and management goals on a monthly basis. The safety and health management plan, which involves all employees and contains the occupational safety and health policy, is formulated and implemented on the basis, and complies with regulatory and health promotion requirements.</p> <p>(2) Occupational accident prevention and management: Even through we have already achieved zero disabling injuries in our factories, we have not let our guard down when it comes to disaster prevention. We are constantly raising the safety awareness of new employees and contractors, and have implemented the following measures to prevent occupational accidents: Implement process safety management (PSM), HazOp analysis for potential equipment risks, job safety analysis for operating risks, safety and health education and training, and SWAT.</p> <p>(3) Occupational safety and health management system: We implemented and achieved the ISO 45001:2018 (the certification's valid is from January 30, 2020 to January 29, 2023) and have set goals for hazards of high risk operations according to the PDCA management cycle to continue making improvements.</p> <p>(4) Employee healthcare: We are working with the medical team of Chang Gung Memorial Hospital to provide employees with annual health examinations, and follow-up and health management is carried out for employees with abnormal results. All of our factories have a medical room with a physician stationed on site to provide employees with professional medical and consultation services. Seminars on spirituality and health and healthcare courses are arranged each quarter to meet employees' need for knowledge on physical and mental health.</p> <p>2. The goals set for this issue and actual implementation data within the scope of the issue disclosed in Nanya Technology Corporation's Sustainability Report have been verified by an independent third party with AA1000 Type 2 assurance, which is still effective as of the date of report.</p>	<p>TWSE/TPEX Listed Companies.</p>
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		<p>3. Disabling injury frequency rate (No. of disabling injuries/Million work hours) and severe disabling injuries rate (No. of lost work days/Million work hours) were both 0 in 2021.</p> <p>4. Safety and health education and training: Completed a total of 35 safety and health training courses with 9,962 participants in 2021. Conducted 48 emergency response drills to strengthen personnel training and response abilities. The Safety and Health Division and on-site employees carry out SWAT on 36 topics each month to improve operational and environmental safety, and provided 35 recommendations for improvements in operational safety, so that the contents of standards will be consistent with actions of personnel on site.</p>	
(IV) Has the Company established effective career development training programs for employees?	✓	<p>1. To provide a better and more effective talent cultivation system, we established a complete professional training system and implemented training development management. Training courses include new employee training, general training, position-specific training, manager training, internal lecturer training, direct personnel training. And personal development courses in physical classrooms and online courses. Furthermore, the establishment of a training development system and knowledge management system enriches our professional training system, and also links together internal knowledge and creativity. Employees can access, share, and create professional knowledge, courses, and articles on our internal website, which also provides a variety of learning resources and information to help units learn, including information on external training and lectures, specialized technology communities, and discussions.</p> <p>2. We planned a variety of on-the-job training and learning channels to promote talent cultivation, lifelong learning, and assist employees with career development, so as to expand their scope of learning. Continuing education and learning channels include: Online learning multimedia center, language learning subsidies, on-the-job degree programs, and participation in external courses.</p> <p>3. Total employee training expenses was NT\$10,624 thousand in 2021, and averaged NT\$2,989 per person. Average training hours per person increased 32.5% compared to 2020 and reached 41.6 hours, the highest in the past four years</p>	Complies with Article 21, Paragraph 1 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

<p>(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p>	✓	<ol style="list-style-type: none"> 1. Customer relations management is an important part of corporate sustainability. In order to learn the precious opinions of our customers, we provide customer complaint channels and refund and compensation application procedures. Customers can express their opinions through the "Customer Feedback Form" and salespeople fill out a "Customer Complaint Handling Form" for refunds when there are customer complaints. The progress of each case is controlled by a computer system. Our website provides service hotlines and e-mails for various products, so that customers can directly provide feedback through different channels. Related departments periodically summarize issues of concern to customers, and set the priority for making improvements based on the importance and time constraints of the issues, ensuring that customer's needs are met. 2. Most of our products are not directly sold to general consumers, so we have relatively few marketing activities such as commercials and flyers. If any promotional activities involve legal aspects, our units will consult the legal and intellectual property departments to avoid violating the law. Furthermore, we established Personal Information Management Procedures and strictly control the access and use of personal information to protect customer privacy. 3. Our customer service process comprises four aspects: <ol style="list-style-type: none"> (1) Product design: Strengthen technology exchanges with customers. (2) Testing and verification: Participate in customer platform parameter measurement services. (3) Manufacturing: Complete production, sales, and product tracking and identification system, as well as collaboration with global couriers. (4) Product launch: Trouble-shooting and system control progress. 	<p>Complies with Article 24 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on</p>	✓	<ol style="list-style-type: none"> 1. We established a supplier management policy and a Supply Chain Management Committee to build the framework for sustainable supply chain management, which comprises sustainability regulations, active supplier risk assessment and investigation, sustainability risk assessment questionnaires, on-site audits and improvement measures of suppliers with high sustainability risk, and developing suppliers' 	<p>Complies with Article 26 of the Sustainable Development Best Practice Principles for TWSE/TPEX</p>

<p>issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>		<p>sustainability abilities. We will promote sustainable performance of suppliers, improve resilience of supply chains, manage and control supply chain risks, and cooperate with suppliers to become the best partners in order to jointly move towards a sustainable future.</p> <p>2. The following management measures are implemented according to the Sustainable Supplier Management Guidelines each year:</p> <p>(1) Conduct sustainability risk assessments and surveys of main suppliers: Developed a sustainability risk assessment questionnaire and conducted a sustainability risk assessment according to responses of the questionnaire. Further identified suppliers with high sustainability risk and arranged on-site audits. Required suppliers to propose improvement measures for deficiencies found in audits, and developed suppliers' sustainable management ability.</p> <p>(2) Key suppliers are the Company's most important partners. Hence, we conduct sustainability audits of key suppliers once every three years, required suppliers to propose improvement measures for deficiencies found in audits, and developed suppliers' sustainable management ability.</p> <p>(3) Sustainability risk assessment covered 100% of major suppliers; key suppliers began conducting sustainability audits once every three years starting in the second year from 2020; current implementation reaches 100% and coverage is at 67%.</p>	<p>Listed Companies.</p>
<p>V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?</p>	<p>✓</p>	<p>The Company's Sustainability Report is compiled with reference to the spirit of the Global Reporting Initiative (GRI) 2018 Global Resiliency Reporting Standard (the core option of GRI Standards) and is planned by a third-party impartial unit. The Association (BSI) conducts a verification of the AA 1000 Type II, and the results of the verification have not been published as of the date of publication of the annual report.</p>	<p>Complies with Article 29 of the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>

VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations:

The Company has established its corporate social responsibility policies and code of practice which comply with "Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Companies" on August 10, 2015. For the implementation status, please refer to NTC Sustainability Report and our website.

VII. Other important information to facilitate better understanding of the company's promotion of sustainable development:

(I) Participation in external associations:

We are dedicated to our core business and different aspects of sustainable development (environmental, social, and economic aspects), including industrial and economic development, technological innovation and development, climate change, employee rights and interests, human rights, and social engagement. We established the "Nanya Technology Corporation Guidelines for Participation in Public Affairs" as the basis for establishing all policies for participating in related industries or joining industry associations. This information is transparent and accessible by the public. We established a Public Affairs Participation Team under the Sustainable Development Committee. The team is responsible for making decisions regarding our participation in public affairs, and periodically assesses and reviews the commercial value of participating in public affairs, as well as whether the policy matches our business goals, corporate policy, and public policy, ensuring that it is in the interest of all stakeholders. Important associations that we are participating in are as follows:

1. Taiwan Semiconductor Industry Association (Director).
2. Taiwan IC Industry & Academia Research Alliance (Member).
3. Center for Corporate Sustainability (Director)

(II) Community engagement:

As a leading innovative company of global DRAM product, we believe that we should play a role as a participant who actively contributes to the society to help resolve environmental challenges and social issues, making efforts to create positive influence. The United Nations' Sustainable Development Goals (SDGs) have revealed the sustainable challenges that human beings are facing, and companies are expected to be the key roles in jointly resolving the problems. We have been thinking how to respond to the SDGs on the basis of our core professional innovative capabilities. We implemented the 4U Project in 2019 in coordination with the UN SDGs: Focus On U (talent cultivation), Light Up (environmental protection), Power Up (humanistic care, and Line Up (good neighbor) continue to invest human and material resources into talent cultivation, environmental protection, humanistic care, and good neighbor work. Relating to the strategic social welfare, SDG 8 (decent work and economic growth) drives us into talent cultivation and industry-academia cooperation. We have actively promoted technology upgrades and innovations for economic value enhancement in order to cultivate professional skills of youngsters and students, building the main theme of talent cultivation. SDG 13 (climate action) allows us to deeply experience the impact that extreme climate has on the community environment and the ecology. Therefore, NTC has set up a main theme of environmental conservation to safeguard environmental biodiversity and move toward a low carbon society. SDG 17 (Partnerships for the goals)

is the foundation for the Company's public welfare practices, so we have built two main themes of humanistic care and community harmony so that we are able to make long-term contributions to the communities and neighborhoods where we have been operating.

1. Focus On U (talent cultivation):

- (1) Stars of the Future: We provide various scholarships (including the Technology Talent Scholarship Program, Doctoral Student Sponsorship Program, and College/Master's Scholarship Program) to encourage students to focus on academic research, pursue excellence, and apply what they learn. We hope that students will continue to learn in a field that they are passionate about. The Company provided scholarships to 5 students and provided Future Stars scholarships to 12 students in 2021, which is an event for selecting students to receive a total of NT\$2,218,697 in scholarships.
- (2) Outstanding Project: We implemented industry-academia collaboration projects with four universities (National Taiwan University, National Tsing Hua University, National Chiao Tung University, Ming Chi University of Technology) in 2021, and invested a total of NT\$ 8,581,944 in the projects. We also sponsored 4 campus events with a total amount of NT\$1,290,000. These efforts aim to promote exchanges between industry and academia, fully utilize academic resources, improve the quality of education through teacher-student interactions, and enhance the competitiveness of domestic industries.
- (3) Cultivating Students Project: We are actively involved in campuses and provide young students with an internship platform for two-way cultivation. We jointly offered internship programs with 10 schools in 2021, and provided internship opportunities to a total of 193 students, successfully retaining 4 interns to become formal employees in their original department, as well as 6 interns who were transferred to other suitable departments based on their expertise. The program allows students to build on their internship experience and transition into employment opportunities.
- (4) Understanding Project: We invite students to visit our company to help them better understand the industry's development. In 2021, we organized a total of 5 visits and arranged for employees who graduated from the same school to encourage the students by sharing their work experience, building cohesiveness and a sense of belonging.
- (5) Speech Seminars: To help students strengthen the connection between what they learn at school with the realities of the workplace, our middle management and executives began interacting with students face-to-face on campus as industry experts in seminars or programs. We organized a total of 44 seminars with approximately 2,964 participants in 2021.

2. Light Up (environmental protection):

- (1) Earth Hour: This global energy conservation event is held at 8:30-9:30 P.M. on the last Saturday of every March. We have participated in the event for three consecutive years. Due to the pandemic in 2021, we called together volunteers to form the shape of 60+, and held the Like, Comment, and Share Event for "Turning off the light at Nanya Technology Corporation together with the world" on Facebook; a total of 622 employees participated in the event.
- (2) The Company called together nearly 60 volunteers to participate in the mountain cleanup activity. On the event day, many employees brought their dependents to remove garbage that did not belong to the mountains while clearing leaves and huge roots piled in the ditches for a long time and returning them to the nature. Mountain cleaning not only protects the mountains and forests, but also protects our own health and provides an excellent opportunity for parent-child education.

NTC hopes that the Company would help the society more and even become an active participant in repaying society. Through regular mountain cleanup activities, our employees have the chance to repay the surrounding community and create a mutually beneficial environment.

- (3) Earth Hour: This global energy conservation event is held at 8:30-9:30 P.M. on the last Saturday of every March. We have participated in the event for three consecutive years. The event was moved online due to the pandemic in 2020. Besides collecting videos filmed by employees to support the event, we also invited business managers to participate with specially prepared Earth Hour masks.

3. Power Up (humanistic care):

- (1) Lose weight for charity: The Company organized a three-month weight lost event, and donates NT\$1,000 to food banks for every 1 kg of weight lost by employees. The limit on donations to a single bank is NT\$100,000, and total donations to 5 institutions is limited to NT\$500,000. A total of 380 employees participated in the event and lost a total of 939 kg. We split the donations between Little Happiness Link Social Welfare Foundation, Syin-Lu Social Welfare Foundation, and Eden Social Welfare Foundation.
- (2) The flea market was held on September 6 and unveiled the Mid-Autumn Festival charity sale. Items sold in the flea market were gifts for charity and festivals in the past, giving employees an opportunity to collect souvenirs they could not obtain in the past. The total amount of items sold was NT\$23,000, and Nanya Technology Corporation donated the amount to the Eden Social Welfare Foundation, which was impacted by the pandemic but did not have the manpower to take part in the Mid-Autumn Festival charity sale. The objects purchased by employees continued to deliver value, and the proceeds were then donated, both eco-friendly and benefiting others.
- (3) Fair trade pantry room: Starting in June 2018, our pantry rooms have been transformed into places where public welfare ideals are able to be implemented. We joined the project of fair trade pantry room promoted by Okogreen Co. Ltd., (the first Taiwanese trading company received the verification from the Fairtrade International (FLO)), installing fair trade coffee machines in the pantry rooms of the Company. Our employees can drink a cup of fair trade coffee for NT\$10. The coffee machines were used a total of 17,404 times in 2021. NTC and its employees will continue to purchase fair trade coffee at a fair price for charity, and aid the development of communities in third-world countries to improve the lives of farmers.

4. Line Up (friendly neighbor):

- (1) To support New Taipei City Government's policy of "Learning together, sharing, and mutually prospering", we specially sponsored 26 middle and elementary schools in 5 groups of the "Cross School System, Local Schooling" Project, purchasing video chat equipment for a total of approximately 2,000 students. We produced bilingual educational videos with 3 English Wonderlands (Qianhua, Xingfu, and Kuolai) in the "Self-learning Across Time and Space" Project, providing the videos to students participating in English Wonderland in New Taipei City. The videos were viewed by 4,000-5,000 people. Sponsorship expenses totaled NT\$400,000 in hopes of helping schools in rural areas gain diverse and equal education opportunities.
- (2) During the severe outbreak mid-May that raised the epidemic alert to Level 3, different sectors showed their concern by donating epidemic prevention supplies to encourage health workers. The Company donated 3,200 rapid test kits to New Taipei City Government for use in screening

stations, supporting the front lines and contributing to Taiwan's epidemic prevention.

- (3) Nanya Technology Corporation attaches importance to the safety of employees in the work environment, and worked with the medical team of Linkou Chang Gung Memorial Hospital in setting up a screening station in its factory area, providing employees with rapid testing services so they can go to work with peace of mind. Besides providing employees with services, we also allowed contractors and nearby companies in the industrial park to use the screening services, jointly implementing epidemic prevention measures and combating COVID-19, alleviating the pressure on screening capacity to prepare for reopening. A total of 5,552 company employees and partners were screened during the period, strengthening the Company's safety and health. We hope to contribute what we can while front line health workers are doing everything they can to control the outbreak, fulfilling our responsibility in a time of crisis.

(VI) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Assessment item	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
I. Establishment of ethical corporate management policy and approaches				
(I) Did the Company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and senior management to implementing the management policies?	✓		1. We comply with laws and pursue our business objectives with integrity. Besides complying with the Company Act and Securities and Exchange Act, we uphold the corporate culture of "diligence" and the business philosophy of integrity, fairness, transparency, self-discipline, and responsibility. The Ethical Corporate Management Best Practice Principles established by the Board of Directors on November 10, 2014 is implemented by the President's Office, which established various policies on ethics, and good corporate governance and risk management mechanisms to achieve sustainable development. The Board of Directors and senior executives active implement and supervise the ethical corporate management policy.	Complies with Article 4 and 5 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.
(II) Does the Company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business	✓		2.(1) NTC has established the Codes of Ethical Conduct and Employee Code of Conduct available on or internet for all employees understanding of the Company's resolve to implement ethical corporate management, the related policies, complaint channel, and the consequences of committing unethical conduct. In order to promote a culture of awareness, we require all employees to be trained periodically on our core values and passed the	Even though we have not established Procedures for Ethical Management and Guidelines for Conduct, the contents are provided in different regulations and

Assessment item	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?			<p>qualification.</p> <p>(2) We periodically analyze and review business activities with higher risk of unethical practices, and established the Business and Ethical Code of Conduct, Human Resources Management Regulations, and Work Rules for management of workers, stipulating that personnel holding positions involved in business, procurement, outsourcing, construction supervision, and budget and other interests of vendors may not accept the invitation of vendors to any form of entertainment, and may not accept money or other benefits from vendors. Violators will be terminated and their supervisors will also be punished. Employees periodically rotate through different positions to prevent corruption from occurring.</p>	systems and implemented accordingly.
(III) Did the Company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	✓		<p>3. Our Business and Ethical Code of Conduct, Human Resources Management Regulations, Ethical Corporate Management Best Practice Principles, Guidelines for the Prevention of Insider Trading, Whistle-blower Policy, and Employee Protection and Grievance Guidelines clearly set forth our ethical corporate management policy, as well as related operating procedures, code of conduct, and rules for whistleblowing, penalties, and complaints. Furthermore, we established the "Code of Ethics of Directors and Managers (please refer to C. Corporate Governance IV. (VIII) Other Important Corporate Governance Information).</p>	Complies with Article 6, Paragraph 1 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies

Assessment item	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
II. Full Implementation of Ethical Management Principles				
(I) Does the Company assess ethical records of business counterparties? Does the Company include business conduct and ethics related clauses in the business contracts?	✓		All contracts signed due to our business activities contain clauses on ethical conduct. Furthermore, we investigate the integrity of stakeholders such as customers and suppliers to prevent unethical conduct from damaging our interests.	Complies with Article 9 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.
(II) Does the Company set up dedicated units under the board of directors in charge of promotion of the ethical corporate management and report execution to the board of directors periodically (at least once a year)?	✓		The President's Office implements ethical corporate management, including promotion of the ethical corporate management policy, organizing training related to ethical corporate management issues, and handling reports according to the Company's Reporting Regulations. The ethical corporate management implementation unit reports to the Board of Directors at least once a year. The most recent report was on December 17, 2021 and mainly reports the policy, methods, and implementation status of ethical corporate management, as well as the Board of Directors and management's commitment to actively implementing the policy. Internal audit reports are submitted to independent directors for review each month and periodically reported to the Board of Directors.	Complies with Article 17 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.

Assessment item	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
(III) Does the Company establish policies to prevent conflicts of interest, provides appropriate communication channels and implement the policies?	✓		<p>1. In the Board of Directors Meeting Rules, we require board members to explain the interest they or the entity they represent have in any important issues during the board meeting. If there is a potential conflict of interest, they may not participate in the discussion or voting, and should also recuse themselves. Nor may they vote on other directors' behalf. Furthermore, pursuant to the Procedure of Acquisition or Disposal of Assets, proposals to make transactions with stakeholders must be submitted to the Audit Committee for approval and passed by resolution of the Board of Directors.</p> <p>2. In the Code of Business Conduct and Ethics and Personnel Management Rules, we require employees to strictly abide by the principle to avoid conflicts of interest and actively report any conflicts of interest. We also have non-compete clauses to prevent conflict of interest.</p> <p>3. We established the Employee Protection and Grievance Guidelines and Whistle-blower Policy to provide channels to report any illegal or unethical conduct.</p>	Complies with Article 19 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.
(IV) Does the Company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk	✓		<p>The Company sets up the effective accounting and internal control system. Connecting each operational function, including human resources, finance, operations, production, materials and resources, and engineering, via comprehensive computerization to implement cross audit and abnormal management. We established a professional and independent internal audit structure that comprises two aspects. The Auditing Office under the Board of Directors is responsible for the first aspect, and formulates audit plans based on abnormalities in operations, deficiencies found in audits, and abnormalities found by departments during self-inspections. Irregular audits are arranged for departments with relatively high risk, which is the basis for verifying compliance with</p>	Complies with Article 20 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.

Assessment item	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
<p>assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?</p> <p>(V) Does the Company periodically provide internal or external training courses of ethics corporate management?</p>	✓		<p>regulations and systems, and lowers the risk of unethical conduct. Furthermore, considering that internal audits are the duty of all employees, each department is required to perform regular (performed monthly, quarterly, semi-annually, or annually, as established per item) self-inspections of business activities for the second aspect, applying the spirit of internal control to all aspects of the Company.</p> <p>We promote the corporate spirit of "Diligence & Frugality" through periodic courses, seminars, company periodicals, and at various locations, instilling employees with the concepts and attitude of integrity, fairness, transparency, self-discipline, and responsibility. We also offer training courses on ethical corporate management, anti-corruption, and labor morals. Ethical corporate management related training in 2021 includes the Code of Conduct, anti-corruption knowledge, prevention of insider trading, promotion of the anti-trust laws, trade secrets training, and hazardous conduct and prevention in the workplace; a total of 21,892 participants received 15,285 hours of training. Regulations relating to ethical corporate management are irregularly promoted during offsite strategy camps for senior managers, manager meetings, or all-hands meetings.</p>	Complies with Paragraph 2, Article 22 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.
<p>III. Implementation of the Company's Whistleblowing System</p> <p>(I) Does the Company set up specific reporting and reward system, convenient reporting channel and assign appropriate and</p>	✓		<p>1. The Company has established the "Employee Protection and Complaint Regulations" and "Reporting Regulations" to provide employees with channels for reporting any unlawful or unethical conduct. When employees discover a breach of laws or inappropriate conduct that affects the interests of individuals or the Company or other related material issues or where an individual attempts to gain</p>	Complies with Article 23 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.

Assessment item	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
dedicated sponsor to handle the case?			unlawful interest by abusing the power of their office, they may file reports at any time for responsible dedicated units to take charge of processing.	
(II) Does the Company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	✓		2. The Company's official website has a whistleblowing hotline (02-29061001) and dedicated mailbox (audit@ntc.com.tw) for stakeholders to file complaints when their rights are damaged. A case officer is assigned or a team is assembled to investigate cases based on the contents, types, nature, and sensitivity of the case, as well as the level of the person being reported. For cases that involve a manager or director, the director that manages the audit department assembles a team to investigate the case.	
(III) Does the Company adopt protection measures of non-retaliation?	✓		3. To protect the whistleblower, personnel responsible for processing cases shall conduct investigations based on the confidentiality principles and they shall be prohibited from disclosing cases to unrelated personnel. When investigating related individuals, the processing personnel shall only discuss parts that are relevant to the individuals to protect the identity of the whistleblower. Documents shall be processed and stored as confidential documents.	
IV. Enhancing information disclosure Does the Company disclose the content and the implement status of the Ethical Corporate Management Policies on the Company website and MOPS?	✓		We disclose information on ethical corporate management in the "Investor Relations" section of our Chinese and English websites. Our Ethical Corporate Management Best Practice Principles can also be accessed on the Market Observation Post System.	Complies with Article 25 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.

Assessment item	Implementation status(Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Explanation	
V.	If the Company has established Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," the Company shall elaborate on any departure from the principles: Our board of directors approved the Ethical Corporate Management Best Practice Principles" on November 10, 2014, which was amended by resolution of the board of directors on June 22, 2016 . Despite the amendment based on our practices, it still in line with the spirit of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.			
VI.	Other helpful information regarding ethical corporate management: The Company arrange Directors and managers to take part in corporate governance course, and communicates the act of integrity, so as to enhance corporate governance efficiency and integrate integrity management.			

Note 1: Summarize operations in the description field regardless of whether "Yes" or "No" was selected.

(VII) To access our Corporate Governance Best Practice Principles and related regulations

Please visit our website: (<https://www.nanya.com>) and the Market Observation Post System: (<https://mops.twse.com.tw>).

(VIII) Other Important Corporate Governance Information

NTC published the "Sustainability Report" to unroll its strategies and related activities in terms of economic, governance, environmental and social aspects. With that, the Company strengthens the communication with employees, shareholders and all stakeholders, as well as demonstrates its efforts in continuous improvement. And the Company has established "Code of Ethics of Directors and Managers " as the following:

The Codes of Ethics of Directors and Managers

Amended by the Board of Directors on June 22, 2016

CHAPTER I GENERAL PRINCIPLES

Article 1

To establish the codes to avoid immoral behavior and activities resulting damages to the interests of company and shareholders in order to enable Directors and Managers

(including President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Financial Officer, Accountant Officer and those who can manage affairs for and sign documents on behalf of the company) to conduct business activities on their duties and power for the company ethically.

CHAPTER II CONTENTS OF THE CODES OF ETHICS

Article 2

Directors and Managers should manage affairs of the company honestly, faithfully, lawfully, fairly, justly and ethically.

Article 3

Directors and Managers should avoid to intervene conflicts with personal interests or interests of the company, including but not limited to unable managing affairs objectively and effectively, or letting themselves, spouse, parents, children or a blood relation within the second degree get improper interests for their position. To avoid conflicts, expansion monetary loans or guarantees and acquisition or disposition of major assets to the preceding persons or their affiliated enterprises shall be approved by the Board of Directors. Creating the greatest interests for the Company should be concerned while purchase or sale between these companies.

Article 4

When the company has a chance to gain profit, Directors and Managers should guard interests for Company legally. Directors and Managers can't gain personal profit by their duties or from using properties or information of the Company. Directors and Managers can't do anything that is within the scope of the company's business except for complying the regulations of Company Law or Articles of Incorporation.

Article 5

Directors and Managers should keep secret for any information of Company's customers and suppliers unless they are authorized or permitted by law. Confidential information includes all undisclosed information that can be used by competitors or will be harmful to the company or customers after disclosure.

Article 6

Directors and Managers should treat customers, suppliers, competitors and employees fairly. They can't gain improper interests by controlling, hiding, or abusing information given by their duties, describing major affairs unreally or transacting unfairly.

Article 7

Directors and Managers should protect and properly utilize properties of the Company, and they should avoid the properties of the company being stolen, neglected or wasted and then affecting profitability.

Article 8

Directors and Managers should follow laws and rules of the Company.

Article 9

When employees find that Directors and Managers violate laws, regulations or the codes, they should provide sufficient evidence to the Audit Committee, Direct Managers, personnel officers, internal control officers or other appropriate persons. Once the report is certified correct, the company should give a reward in accordance with the personal management regulation.

The Company should deal with the said report properly, confidentially and conscientiously, and the Company should protect the reporter's safety from all kinds of retaliation.

Article 10

If Directors and Managers violate the codes, the Company should punish them in accordance with the personal management regulation and report to the Board of Directors after certification. The related violators should take civil and criminal responsibility and the Company should disclose dates of events, reasons of violation, items of violation and handling situation on the Market Observation Post System.

CHAPTER III PROCEDURES OF APPLICATION OF EXEMPTION

Article 11

When the Company proposes to exempt Directors or Managers from complying the codes under special circumstances, the issue shall be determined by the Board of Directors by a resolution adopted by a majority vote at the Board Meeting by over two-thirds of the Directors attendance. The Company should immediately disclose dates of approval by the Board, any opposing or qualified opinion expressed by the independent directors, terms of exemption, reasons of exemption and items of exemption on the Market Observation Post System so as to be assessed the appropriateness by the shareholders and to protect the interests of the Company.

CHAPTER IV WAYS OF DISCLOSURE

Article 12

The codes should be disclosed on the Company's website, annual report, prospectus and the Market Observation Post System. The same shall apply to any amendments to

the codes.

CHAPTER ANCILLARY RULES

Article 13

The codes shall take effect after approval by the Board of Directors and be reported to the Shareholders' Meeting. The same shall apply to any amendments to the codes.

(IX) Implementation Status of the Internal Control System

1. Internal Control System Statement

**Nanya Technology Corp.
Internal Control System Statement**

Date: February 24, 2022

The Company states the following with regard to its internal control system in 2021, based on the findings of a self-assessment:

- I. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
- III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. Please refer to the Regulations for details.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on December 31, 2021, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
- VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been passed by the Board of Directors Meeting of the Company held on February 24, 2022, where 0 of the 11 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nanya Technology Corp.

Chairperson: Chia Chau, Wu

President: Pei-Ing Lee

2. Audit report of internal control system reviewed by independent auditors:
None

(X) If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders' equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None

(XI) Major Resolutions of Shareholders' Meetings and Board Meetings:

1. Important resolutions of the Annual Shareholders' Meeting on August 4, 2021:

- (1) Ratified the Business Report and Financial Statements for 2020.
- (2) Ratified the Company's 2020 Proposal for Distribution of Profits.
- (3) Approved the Amendments to Articles of Incorporation of the Company.
- (4) Approved the Amendments to the "Rules for Election of Directors" of the Company.
- (5) Approved the Amendments to the "Convention Rules and Procedures for Shareholders' Meeting" of the Company.

2. Implementation Status:

- (1) The 2021 Annual General Meeting resolved to distribute cash dividends of NT\$1.29660236 per share. The Board meeting on June 24, 2021 set the record date to August 11, 2021, and payment date to August 31.
- (2) The resolutions in the 2021 Annual General Meeting included the amendment to the Company's Articles of Incorporation, which was approved by the Ministry of Economic Affairs on August 27, 2021 to change the Company's registration, and was disclosed on the Company's website.
- (3) The resolutions in 2021 Annual General Meeting included amendments to the "Rules for Election of Directors" of the Company and "Convention Rules and Procedures for Shareholders' Meeting" of the Company, which have been implemented accordingly and were announced on the Company website.

3. Major Resolutions of Board Meetings in 2021:

- (1) February 26, 2021 The Board of Directors approved the proposal to convene the 2021 annual general meeting and approved the proposal for distribution of profits.
- (2) February 26, 2021 The Board of Directors approved a capital expenditure budget of no more than NT\$15.6 billion.

- (3) June 24, 2021 The Board of Directors approved the proposed cash capital increase of US\$400 million of the wholly-owned overseas subsidiary Nanya Technology International, Ltd.

4. Major Resolutions of Board Meetings in 2022:

- (1) February 24, 2022 The Board of Directors approved the proposal to convene the 2022 annual general meeting and approved the proposal for distribution of profits.
- (2) February 24, 2022 The Board of Directors approved a capital expenditure budget of no more than NT\$28.4 billion.
- (3) April 13, 2022 The Board of Directors approved the list of Directors (including Independent Directors) candidates.

(XII) Major issues of record or written statements made by any directors or supervisors which specified his/her dissent to important resolutions passed by the Board of Directors in the past year and up to the date of report: None

(XIII) Resignation or dismissal of personnel, including directors, general managers, accounting supervisors, financial officers, internal auditing supervisors, corporate governance supervisor and R&D supervisors, involved in the past year and up to the date of report: None

V. Information Regarding NTC's Audit Fees

(I) Information Regarding NTC's Audit Fees

Unit: NT\$ thousands

Name of accounting firm	CPA name	Audit period	Audit fee	Non-audit fee	Total shares	Remarks
KPMG Certified Public Accountants Firm	Astor Kou	January 1, 2021	4,282	651	4,933	
	Hsin-Yi Kuo	December 31, 2021				

The content of non-audit services:

Non-audit fees include business registration NT\$117,000 and other NT\$534,000 (2021 master files and country reports amounted to NT\$200,000, transfer pricing reports amounted to NT\$175,000, and annual report and printing fees amounted to NT\$159,000).

- (II) If the non-audit fees paid to the CPA, the CPA's accounting firm, and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: None.
- (III) Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: None
- (IV) Audit fee reduced more than 15% year over year: None

VI. Replacement of Independent Auditors: None.

VII. The Company's Chairman, President, or Managers in charge of Finance or Accounting who have been employed in the Auditing Firm or its Affiliates in the past year shall disclose their name, title, and post during their period of employment at the Auditing Firm or its Affiliates. None

VIII. Share transfer by directors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

(I) Change in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		As of March 28 of the current year	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Corporate Director and Major shareholder	Nan Ya Plastics Corp.	0	0	0	0
Chairman	Nan Ya Plastics Corp. Representative: Chia Chau, Wu	0	0	0	0
Director	Wen Yuan, Wong	0	0	0	0
Director	Susan Wang	0	0	0	0
Director and President	Pei-Ing Lee	112,000	0	0	0
Director	Ming Jen, Tzou	0	0	0	0
Director and Executive Vice President	Lin-Chin Su	225,000	0	0	0
Corporate Director	Formosa Taffeta Co., Ltd.	0	0	0	0
Director	Formosa Taffeta Co., Ltd. Representative: Shih-Ming Hsie (Notes)	0	0	-	-
Director	Nan Ya Plastics Corp. Representative: Joseph Wu	100,000	0	0	0
Director	Nan Ya Plastics Corp. Representative: Rex Chuang	452,000	0	0	0
Independent Director	Ching-Chyi Lai	0	0	0	0
Independent Director	Shu-Po Hsu	0	0	0	0
Independent Director	Tsai-Feng Hou	0	0	0	0

Notes: Mr. Shih-Ming Hsie, representative of institutional director Formosa Taffeta Co., Ltd., passed away on January 10, 2022.

Title	Name	2021		As of March 28 of the current year	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Yau-Ming Chen	0	0	0	0
Assistant Vice President	Wesley Chang (Notes)	0	0	-	-
Assistant Vice President	Chi-Meng Su	0	0	0	0
Assistant Vice President	Mark Mao	0	0	0	0
Assistant Vice President	Jeff J.P. Lin	66,000	0	0	0
Assistant Vice President	Rex Chen	50,000	0	(9,000)	0
Assistant Vice President	Chuan-Jen Chang	120,000	0	0	0
Finance Officer and Corporate Governance Supervisor	Philip Jao	40,000	0	0	0
Accounting Officer	Hung-Chi Kuo	0	0	0	0
Major Shareholder	Formosa Plastics Corporation	0	0	0	0
Major Shareholder	Formosa Chemical & Fibre Corporation	0	0	0	0
Major Shareholder	Formosa Petrochemical Corporation	0	0	0	0

Notes: Assistant Vice President Wesley Chang retired on May 18, 2021.

(II) Stock Trade/Pledge with Related Party by Directors, Managers and Major Shareholders with 10% Shareholding or More: None

IX. Relationship among the Top Ten Shareholders

March 28, 2022

NAME	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		REMARKS
	Shares	Percentage of shares	Shares	Percentage of shares	Shares	Percentage of shares	Company Name (or name)	Relationship	
Nan Ya Plastics Corp. (Hereinafter "NPC") Legal Representative: Chia Chau, Wu	907,303,775	29.30%	-	-	-	-	FPC	Mutual Corporate Directors	
							FCFC	Mutual Corporate Directors	
							FPCC	Mutual Corporate Directors NPC invests in FPCC under equity method.	
							MLPC	The Chairman of NPC is one of MLPC's Board Directors. NPC is one of MLPS's Board Directors. NPC invests in MLPC under equity method	
Formosa Chemicals & Fibre Corp. (Hereinafter "FCFC") Legal Representative: Fu-Yuan Hung	334,815,409	10.81%	-	-	-	-	FPC	FCFC is one of FPC's Board Directors.	
							NPC	Mutual Corporate Directors	
							FPCC	The Chairman of FCFC is one of FPCC's Executive Directors. Mutual Corporate Directors FCFC invests in FPCC under equity method.	
							MLPC	The Chairman of FCFC is one of MLPC's Board Directors. FCFC is one of MLPC's Supervisors. FCFC invests in MLPC under equity method.	
Formosa Plastics Corp. (Hereinafter "FPC") Legal Representative: Chien-Nan Lin	334,815,409	10.81%	-	-	-	-	NPC	Mutual Corporate Directors	
							FCFC	FCFC is one of FPC's Board Directors.	
							FPCC	Mutual Corporate Directors FPC invests in FPCC under equity method.	
							MLPC	The Chairman of FPC is one of MLPC's Board Directors. FPC is one of MLPC's Board Directors. FPC invests in MLPC under equity method.	

Name	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders or their spouses or relatives within the second degree of affinity.		Remarks
	Shares	Percentage of shares	Shares	Percentage of shares	Shares	Percentage of shares	Company Name (or name)	Relationship	
Formosa Petrochemical Corp. (Hereinafter "FPCC") Legal Representative: Pao-Lang Chen	334,815,409	10.81%	-	-	-	-	FPC	Mutual Corporate Directors FPC invests in FPCC under equity method.	
							NPC	Mutual Corporate Directors NPC invests in FPCC under equity method.	
							FCFC	Mutual Corporate Directors FCFC invests in FPCC under equity method.	
							MLPC	Chairperson is the same person. FPCC is one of MLPC's Board Directors. FPCC invests in MLPC under equity method.	
Labor Pension Fund (The New Fund)	37,179,278	1.20%	-	-	-	-	N/A	N/A	
Nan Shan Life Insurance Company, Ltd. Legal Representative: Tang Chen	27,619,000	0.89%	-	-	-	-	N/A	N/A	
Mai-Liao Power Corporation (hereinafter "MLPC") Legal Representative: Pao-Lang Chen	26,261,393	0.85%	-	-	-	-	FPC	The Chairman of FPC is one of MLPC's Board Directors. FPC is one of MLPC's Board Directors. FPC invests in MLPC under equity method.	
							NPC	The Chairman of NPC is one of MLPC's Board Directors. NPC is one of MLPS's Board Directors. NPC invests in MLPC under equity method	
							FCFC	The Chairman of FCFC is one of MLPC's Board Directors. FCFC is one of MLPC's Supervisors. FCFC invests in MLPC under equity method.	
							FPCC	Chairperson is the same person. FPCC is one of MLPC's Board Directors. FPCC invests in MLPC under equity method.	
Taishin International Commercial Bank Co., Ltd. is entrusted with the special account of The Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust of Cathay Taiwan High Dividend Umbrella Securities Investment Trust	23,735,000	0.77%	-	-	-	-	無	無	

Name	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders or their spouses or relatives within the second degree of affinity.		Remarks
	Shares	Percentage of shares	Shares	Percentage of shares	Shares	Percentage of shares	Company Name (or name)	Relationship	
Fubon Life Insurance Co., Ltd Legal Representative: Richard M. Tsai	22,755,000	0.73%	-	-	-	-	無	無	
Cathy Life Insurance Co., Ltd. Legal Representative: Tiao-Kuei Huang	20,849,000	0.67%	-	-	-	-	無	無	

X. The total number of shares and total equity stake held in any single enterprise by the Company, the Company's directors, managers, and any companies controlled either directly or indirectly by the Company:

Unit: Share; %; April 22, 2022

Reinvestment Entities	Investment by the Company		Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises		Comprehensive investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholdin g percentage
Formosa Advanced Technologies Co., Ltd.	141,511,000	32%	139,699,759	31.59%	281,210,759	63.59%

D. Capital and Shares

I. Capitalization

Unit: Share; NT\$

Year / Month	Issue price (NT\$ per share)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Capitalization	Capital increased by assets other than cash	Other
202003	29.2	30,000,000,000	300,000,000,000	3,073,996,894	30,739,968,940	Exercised ESOP	N/A	Note 1
202006	29.2	30,000,000,000	300,000,000,000	3,074,660,894	30,746,608,940	Exercised ESOP	N/A	Note 1
202009	28.5~29.2	30,000,000,000	300,000,000,000	3,092,611,894	30,926,118,940	Exercised ESOP	N/A	Note 1
202011	28.5~29.6	30,000,000,000	300,000,000,000	3,093,593,894	30,935,938,940	Exercised ESOP	N/A	Note 1
202103	28.5~29.6	30,000,000,000	300,000,000,000	3,096,434,894	30,964,348,940	Exercised ESOP	N/A	Note 1
202106	28.5	30,000,000,000	300,000,000,000	3,097,011,894	30,970,118,940	Exercised ESOP	N/A	Note 1
202108	28.5~29.6	30,000,000,000	300,000,000,000	3,097,083,894	30,970,838,940	Exercised ESOP	N/A	Note 1
202111	28.0	30,000,000,000	300,000,000,000	3,097,083,894	30,970,838,940	Exercised ESOP	N/A	Note 1
202112	-	30,000,000,000	300,000,000,000	3,096,874,894	30,968,748,940	Repurchased shares were canceled	N/A	Note 2
202203	28.0	30,000,000,000	300,000,000,000	3,097,070,894	30,970,708,940	Exercised ESOP	N/A	Note 1
Note 3	28.0	30,000,000,000	300,000,000,000	3,097,121,894	30,971,218,940	Exercised ESOP	N/A	Note 1

Note 1: Approval document no. and approval date: Jin-Guan-Zheng-Fa-Zi No. 1040033035 dated August 24, 2015 from the FSC.

Note 2: Approval document no. for share buyback: Jin-Guan-Zheng-Jiao-Zi No. 1070345433 dated December 3, 2018 from the FSC.

Note 3: There have 51,000 shares have not been registered for change.

Unit: Share; March 28, 2022

Type of stock	Authorized capital				Remarks
	Outstanding shares (Note)	the Company's treasury stock	Outstanding Un-issued shares	Total shares	
Common Stock	3,097,121,894	0	26,902,878,106	30,000,000,000	

Note: There are listed Outstanding shares.

II. Composition of Shareholders

March 28, 2022

Composition of Shareholders Quantity	Government agencies	Financial institutions	Other juridical person	Domestic natural person	Foreign institutions & natural person	Total shares
Number of shareholders	3	82	247	121,411	878	122,621
Shareholding (shares)	37,845,298	173,846,853	1,997,925,174	320,912,797	566,591,772	3,097,121,894
Holding (percentage)	1.22	5.61	64.51	10.36	18.29	100

III. Distribution of Shareholding

Par value: NT\$10 per share

March 28, 2022

Shareholding range	Number of shareholders	Ownership (shares)	Ownership (percentage)
1 - 999	59,140	7,979,302	0.26
1,000 - 5,000	52,123	102,597,790	3.31
5,001 - 10,000	6,029	47,721,268	1.54
10,001 - 15,000	1,641	20,995,457	0.68
15,001 - 20,000	1,042	19,425,097	0.63
20,001 - 30,000	828	21,257,811	0.69
30,001 - 40,000	414	14,802,662	0.48
40,001 - 50,000	274	12,786,191	0.41
50,001 - 100,000	418	30,480,880	0.98
100,001 - 200,000	262	37,481,505	1.21
200,001 - 400,000	159	46,043,465	1.49
400,001 - 600,000	63	30,449,705	0.98
600,001 - 800,000	42	29,468,224	0.95
800,001 - 1,000,000	29	25,934,900	0.84
Over 1,000,001	157	2,649,697,637	85.55
Total shares	122,621	3,097,121,894	100

IV. List of major shareholders

Names, shares and shareholding ratio of shareholders with 5% or more shares or top ten shareholders:
March 28, 2022

Name of major shareholder	Shares	Shareholding (shares)	Holding (percentage)
Nan Ya Plastics Corp.		907,303,775	29.3
Formosa Chemicals & Fibre Corp.		334,815,409	10.81
Formosa Plastics Corp.		334,815,409	10.81
Formosa Petrochemical Corp.		334,815,409	10.81
Labor Pension Fund (The New Fund)		37,179,278	1.20
Nan Shan Life Insurance Company, Ltd.		27,619,000	0.89
Mai-Liao Power Corporation		26,261,393	0.85
Taishin International Commercial Bank Co., Ltd. is entrusted with the special account of The Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust of Cathay Taiwan High Dividend Umbrella Securities Investment Trust		23,735,000	0.77
Fubon Life Insurance Co., Ltd		22,755,000	0.73
Cathy Life Insurance Co., Ltd.		20,849,000	0.67

V. Market Price, Net Worth, Earnings, and Dividends per Common Share

Item		Year	2020	2021
Market price per share (Note 1)	Highest market price		92.00	105.00
	Lowest market price		44.00	59.40
	Average market price		65.59	78.37
Book value per share	Before distribution		50.02	55.85
	After distribution		48.72	Not yet distributed
Earnings per share (NT\$)	Weighted average shares		3,065,482	3,087,329
	Weighted average shares (adjusted)		—	—
	Before adjustment		2.51	7.40
	After adjustment		—	—
Dividends per share	Cash dividends (Note 2)		1.29660236	3.70349933
	Stock dividend	Stock dividends from retained earnings	—	—
		Stock dividends from capital surplus	—	—
	Accumulated undistributed dividends		—	—
Return on Investment	Original PE ratio	(Note 3)	26.13	10.59
	Adjusted PE ratio	(Note 3)	—	—
	Price-dividend ratio	(Note 4)	50.51	21.16
	Cash dividend yield	(Note 5)	1.98	4.73

Note 1: Per share of market price is based on the information of Taiwan Stock Exchange Co., Ltd.

Note 2: Dividends for the year are distributed in the following year. Distribution of 2021 earnings is an estimate and has not yet been approved by the Annual General Meeting.

Note 3: Price / earnings ratio = average market price / adjusted earnings per share

Note 4: Price / dividend ratio = average market price / cash dividends per share

Note 5: Cash dividend yield rate = cash dividends per share / average market price

VI. Dividend Policy and Implementation Status

(I) Dividend Policy

Whenever there are profits of the Company, it shall be used to pay all outstanding taxes, recover the Company's accumulated losses, and set aside 10% thereof in a legal reserve. Thereafter, the remaining profit, if any, after set aside a special reserve or reserves for certain undistributed earnings for business purposes, shall collectively with any undistributed surplus earnings from previous fiscal years, be included in a surplus earning distribution plan submitted by the Board of Directors for approval at an Annual Shareholders' Meeting.

The Company belongs to a high-technology and capital intensive industry and its operations are still experiencing significant growth. To accommodate the long-term financial projection of the Company, the Company adopts the policy that dividends shall be distributed appropriately in accordance with the Company's budget of capital expenditures. In principle, the stock dividends distributed by the Company shall not exceed 50% of the total distributable dividends of that year.

The Company will strive to maintain a stable dividend policy, and mainly dividends will be distributed by cash. The target of our dividend policy is around 45%~55% of the earnings of each fiscal year.

(II) Current Proposal to Distribute Profits

The Board meeting on February 24, 2022 proposed the distribution of NT\$11.47 billion in cash dividends. The dividends distribution proposal will be resolved at Annual General Meeting on May 26, 2022, and will be handled according to related regulations. If the total number of outstanding shares increases as the exercise of the employee stock options. It is proposed that the Board of Directors be authorized to adjust the final cash dividend per share accordingly.

(III) Expect material change in dividend policy: N/A

VII. The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share: N/A.

(We did not release any financial forecasts).

VIII. Remuneration of employees and directors

(I) The percentages or ranges of employees, director's compensation as stated in the Company's Articles of Incorporation:

The Company shall appropriate 1% to 12% for employees' compensation from its profit, if any, before tax. However, the Company's

accumulated losses shall have been covered.

The Company may have the profit distributable as employees' compensation distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive compensation shall be determined by the Board of Directors.

Remuneration to employees are decided in accordance with Article 235 of the Company Act.

- (II) The accounting treatment of the discrepancy between the actual distributed amount and the estimated figure for the current period:

The bases for estimating the amount of employee and director remuneration are based on relevant laws, the Company's Article of Incorporation, and past experience. The difference, if any, between actual distribution and estimated amount will be included in the profit or loss in the following fiscal year based on relevant accounting principles.

- (III) Distribution of Compensation Approved by the Board of Directors:

The Board Meeting on February 24, 2022 approved:

1. Employee remuneration in the amount of NT\$1,550,000,000 will be distributed in cash and is consistent with the estimated amount.
2. Share amount of employees' stock compensation is 0, percentage of the share amount to that of all stock dividends are 0%.

- (IV) Distribution of Employee and Director compensation in the past year (including the number of shares, amount and stock price); the difference (when present) between the recognized compensation of employees and directors, the reasons, and the handling situation shall be stated

Amount approved in the Board meeting on February 26, 2021 and the amount distributed:

1. Employee remuneration in the amount of NT\$600,000,000 was distributed in cash.
2. Actual share amount of employees' stock compensation is 0, percentage of the share amount to that of all stock dividends are 0%.
3. The above-listed amount of employee remuneration was consistent with the estimated amount approved by the Board of Directors.

IX. Repurchase of Common Stock

(I) Exercised Items:

March 28, 2022

Phase of repurchase	1st meeting in 2018	2nd meeting in 2018
Date of Board resolution	November 12, 2018	
Purpose of repurchase	Transferred to employees	Safeguard the Company's credit and shareholders' rights and interests
Expected repurchase period	November 13-28, 2018	November 29, 2018 to January 11, 2019
Expected price interval of stock repurchase	NT\$38-79	
Expected type and quantity of repurchased shares	20,000,000 common shares	100,000,000 common shares
Type and quantity of actually repurchased shares	20,000,000 common shares	50,136,000 common shares
Average price of repurchased shares (including transaction fees)	NT\$57.35	NT\$53.17
Quantity of actually repurchased shares to expected (%)	100%	50.14%
Amount of repurchased shares (including transaction fees)	NT\$1,146,932,497	NT\$2,665,620,924
Number of shares canceled and transferred	Transferred 19,353,000 shares Canceled 647,000 shares	50,136,000 shares
Accumulated quantity of NTC shares held	0 shares	
Accumulated quantity of NTC shares held to total outstanding shares (%)	0%	
Reason for incomplete share repurchase after the repurchase period expired	—	We did not complete the share repurchase to protect shareholders' interests and due to considerations for market mechanisms.

(II) Exercising Items: None

X. Corporate bond issuance status: None

XI. Status of Preferred Stock: None

XII. Issuance of Global Depositary Receipts: None

XIII. Status of Employee Stock Options Plan

(I) Issuance of Employee Stock Options

March 28, 2022

ESOP granted	2015-1	2015-2
Approval date by the securities & futures bureau	August 24, 2015	August 24, 2015
Issue (grant) date	May 10, 2016	August 11, 2016
Number of options granted	97,500 units	2,500 units
Percentage of shares exercisable to outstanding common shares (Note)	3.15%	0.08%
Option duration	8 years	8 years
Source of option shares	Issuing new common shares	Issuing new common shares
Vesting schedule (%)	Upon 2 years from the issue date, available subscription ratio for exercising: 50% (accumulated) Upon 3 years from the issue date, available subscription ratio for exercising: 75% (accumulated) Upon 4 years from the issue date, available subscription ratio for exercising: 100% (accumulated)	
Shares exercised	86,694,000 shares	1,593,000 shares
Value of shares exercised	NT\$2,816,754,000	NT\$51,190,100
Shares unexercised	10,806 Unit	907 Unit
Exercise price per share	NT\$28.0	NT\$29.1
Percentage of shares unexercised to outstanding common shares (%) (Note)	0.35%	0.03%
Impact to shareholders' equity	This will attract and retain technology and specialized talent required by the company, encourage employees and strengthen their sense of belonging, and maximize profits for shareholders. Dilution to shareholders' equity is 3.15%.	This will attract and retain technology and specialized talent required by the company, encourage employees and strengthen their sense of belonging, and maximize profits for shareholders. Dilution to shareholders' equity is 0.08%.

Note: Calculated using 3,097,121,894 outstanding shares (in which change of registration has not been completed for 51,000 shares in employee stock options).

(II) Employee stock options granted to management team and to top 10 employees:

March 28, 2022

	Title	Name	Number of Options Granted % of shares	exercisable to outstanding common shares	Shares exercised				Shares unexercised (Note)			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares	Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares
Managerial Officers	President	Pei-Ing Lee	5,490,000 shares	0.1773%	4,635,000 shares	NT\$28.0~34.3	NT\$144,251,800	0.1497%	855,000 shares	NT\$28.0	NT\$23,940,000	0.0276%
	Executive Vice President	Lin-Chin Su										
	Vice President	Joseph Wu										
	Vice President	Rex Chuang										
	Vice President	Yau-Ming Chen										
	Assistant Vice President	Wesley Chang										
	Assistant Vice President	Chi-Meng Su										
	Assistant Vice President	Mark Mao										
	Assistant Vice President	Jeff J.P. Lin										
	Assistant Vice President	Rex Chen										
	Assistant Vice President	Chuan-Jen Chang										
	Finance Officer and Corporate Governance Supervisor	Philip Jao										
	Accounting Officer	Hung-Chi Kuo										

Note: Number of unexercised shares and amount as of March 22, 2022.

(Assistant Vice President Wesley Chang retired on May 18, 2021.)

March 28, 2022

	Title	Name	Number of Options Granted % of shares	exercisable to outstanding common shares	Shares exercised				Shares unexercised (Note 2)			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares	Shares Exercised	Exercise Price Per Share	Value of Shares Exercised	% of shares exercised to outstanding common shares
Employees	Executive Administrator	Wooder Yang	1,950,000 shares	0.0630%	1,907,000 shares	NT\$28.5~34.3	NT\$61,930,000	0.0616%	43,000 shares	NT\$28.0	NT\$1,204,000	0.0014%
	Senior Director	Yao-Hsiung Kung										
	Senior Director	Hsu-Cheng Fan										
	Director	Dong-Liung Yang										
	Director	Peter Chen										
	Director	Eric Chuang										
	Director	Carver Liu										
	Director	Chiang-Lin Shih										
	Vice Director	Benjamin Huang										
	Executive Engineer	Wen-Hao Chang										
	Executive Engineer	Yen-Nan Chang (Note 1)										

Note 1: Executive Engineer Yen-Nan Chang retired from February 18, 2021.

Note 2: Number of unexercised shares and amount as of March 28, 2022.

XIV. Status of new shares issuance in connection with mergers and acquisitions: None

XV. Financing plans and implementation-cash funding application: None

E. Operations overview

I. Business content

(I) Business scope

NTC is focused on becoming a key supplier in the global memory market with outstanding product research and development capabilities and competitive production cost advantage. We are committed to providing high quality and advanced memory products and services.

Our main product lineup:

1. DRAM chips

(1) DDR2 DRAM

- Capacity: 512 Mb 、 1Gb
- Speed: 800 Mb/s 、 1066 Mb/s

(2) DDR3 DRAM

- Capacity: 1Gb 、 2Gb 、 4Gb
- Speed: 1600 Mb/s 、 1866 Mb/s 、 2133 Mb/s

(3) DDR4 DRAM

- Capacity: 4Gb 、 8Gb
- Speed: 2667 Mb/s 、 2933Mb/s 、 3200 Mb/s

(4) LPDDR

- Capacity: 512Mb 、 1Gb
- Speed: 333 Mb/s 、 400 Mb/s

(5) LPDDR2

- Capacity: 1Gb 、 2Gb 、 4Gb
- Speed: 1066 Mb/s

(6) LPDDR3

- Capacity: 4Gb 、 8Gb
- Speed: 1866 Mb/s 、 2133 Mb/s

(7) LPDDR4/4X

- Capacity: 2Gb 、 4Gb 、 8Gb
- Speed: 3200 Mb/s 、 3733 Mb/s 、 4267 Mb/s

2. Wafer production services

In response to meeting market demand in the future, NTC continue to develop products toward higher speed and lower power consumption. Our business strategy focuses on the applications of consumer electronic, mobile devices and servers, and we offer a comprehensive product lineup for meeting market demand on low, medium and high capacity products. Our product portfolio includes 512Mb/1Gb DDR2, 1Gb/2Gb/4Gb DDR3, 4Gb/8Gb DDR4, 512Mb/1Gb LPDDR, 1Gb/2Gb/4Gb LPDDR2, 4Gb/8Gb LPDDR3, and 2Gb/4Gb/8Gb LPDDR4/4X.

3. Plans of developing new products and services

We will step up efforts to promote 20nm products for SSD and game consoles, and will continue to optimize applications of low power products, increasing product speed for application in high-end in-vehicle systems and high-end television products. With regard to sales of server products, besides maintaining relationships with large customers, we will also expand across the world to medium and small customers, such as regional data centers, to increase our sales channels and customer base.

Our main business strategies this year include the promotion, mass production, and sales of new products from our first generation 10nm process (1A). We have already completed customer verification of the pilot product 8Gb DDR4, and plan to begin mass production on a smaller scale in the second half of the year, at which time we will reduce the production of 30nm products. We will also prepare for next generation of DDR5 products.

Trial production of pilot products using second generation 10nm process technology (1B) has already begun, and we expect to begin purchasing machinery and equipment required for phase-one mass production in the second half of this year, preparing for process conversion next year. We are currently developing new products and will subsequently begin trial production.

(II) Industry Overview

1. DRAM industry current status and development

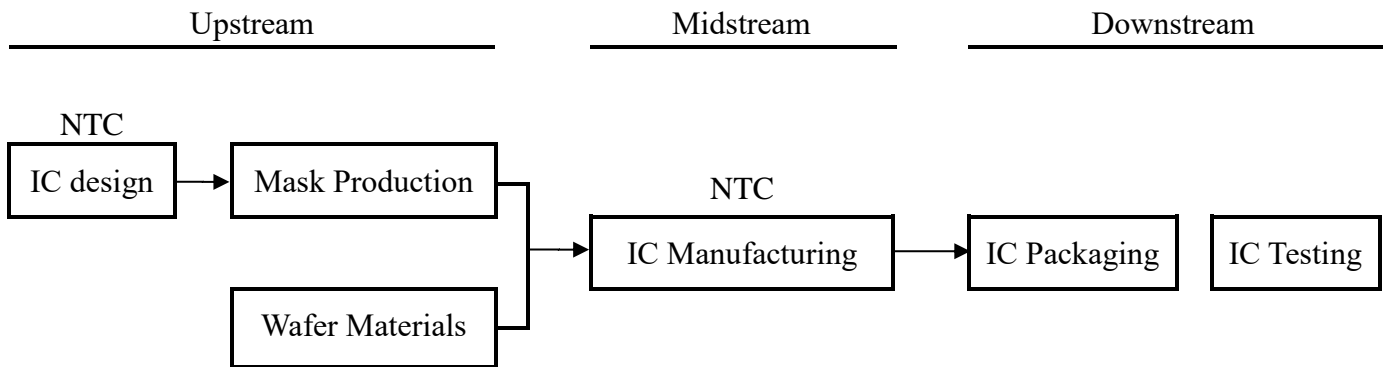
The global DRAM market is an oligopoly dominated by major manufacturers, and rational investments that prioritize profitability are expected for industry supply. Capacity expansion is expected to be rational and disciplined. The conversion of advanced processes is much more difficult than before, and annual bit growth has slowed down. We will continue to focus on consumer electronics and automobile markets in 2021, and will increase the proportion of server and lower power product markets.

End applications of DRAM have expanded from being concentrated in PC related applications to a wide range of applications, in which smartphones are the largest market segment and servers/data centers are the fastest growing market segment due to the rapid growth of cloud applications. Once commercial operations of 5G and artificial intelligence applications begin, self-driving cars, edge computing, and a variety of emerging applications are expected to inject new energy into the market.

2. Up-, mid-, and downstream DRAM industry supply chain

IC industry (including DRAM) is categorized as IC design, mask making/wafer material in upstream area, IC production in midstream area, IC packing and testing in downstream area. The whole industry system is illustrated as below table. Our operations involve upstream DRAM design

and midstream DRAM manufacturing.



3. Product Development Trends

(1) The main application trends:

A. Servers

- (a) Digital transformation stimulates the mid- to long-term demand growth of cloud computing. Expect the demands for server from Hyperscale data center continue to grow steadily in the year of 2022. In addition, the demand of edge computing emerges as the new driving force of sever market, and will evolve and develop with the deployment of 5G infrastructure.
- (b) DRAM demands rise from Cloud Hyperscaler's continuous investment in infrastructure of new data centers and the launch of new computer processors. Also, DRAM content per server will keep growing along with new Server CPU using DDR5 to fulfill high bandwidth, low latency and high performance required by 5G and AI. Expect the launch of new CPU coming shortly in the later part of 2022.

B. Mobile Devices

- (a) Global smartphone shipments in the year of 2021 declined drastically due to the COVID-19 pandemic. 5G smartphone shipment continues to gain share in the year of 2022, and pushes up the DRAM content to grow. Yet, the [macro](#) uncertainties such as inflation, geopolitical, supply disruption are the key factors to drag down the demand recovery.
- (b) The mainstream of DRAM content per phone will stay at the level of 6-8GB in the year of 2022. Other than Android camp, Apple iPhone will follow the demand trend to adopt 6GB in in its flagship models.

C. Personal Computers

Work-from-home demand enabled the sequential sales growth of consumer PC in the year of 2021. Turing to the year of 2022, PC demand begins to shift from consumer to commercial and gaming PCs instead. However, macro uncertainties are still the major concern for further growth.

D. Consumer Electronics

Sales of consumer electronics in the year of 2022 will be another year to grow steadily backed up by the solid demand from new game console, video steaming devices, smart watch, networking equipment, video and surveillance system, solid state drives, automotive and industrial devices, etc. In parallel, Metaverse is still under development starting from the year of 2022. Business opportunities not limited to VR HMD (head-mounted display), AR (Augmented Reality) / smart glasses, gaming consoles are emerging in the very initial stage. More potential applications and business model are expected to come in the future.

(2) Performance requirements

A. High Density:

Following the arrival of the 10nm process era, 12Gb/6Gb will gradually become the mainstream product capacity, with applications in smartphones, servers, PCs. It is expected that the top three DRAM makers will continue to improve the yield and increase the ratio of 1Z/1a nm process, and increase the production.

B. High Speed:

DRAM specifications have increased in response to the increasing ratio of video/graphic content in data transmission. The highest speed DDR4 can currently reach is DDR4-3200 Mb/s; LPDDR4 and LPDDR5 can reach speeds of up to 4267Mb/s and 6400Mb/s, respectively.

C. Low Power Consumption:

As the threat of global warming is escalating, low voltage and low power features are key requirements for smart phones, servers, PCs, consumer electronics and automotive devices.

D. Function Requirements:

(a) High data transmission rate and broadband:

The high data transmission rate provided by DDR4 has

made it the mainstream specification of servers and personal computers, the import of DDR5 will further increase the data rate. while LPDDR4X and LPDDR5, which are characterized by high bandwidth and lower power, are widely adopted in smartphones.

(b) Diverse package specifications:

In response to diversity of application needs, DRAM package specifications spectrum expanded including module for PC/servers, PoP/eMCP for smart phones, SiP (System in Package) for digital TV, and MCP for Mobile WiFi.

4. Competition situation

The global DRAM market is an oligopoly dominated by major manufacturers, and rational investments that prioritize profitability are expected for industry supply. Capacity expansion is expected to be rational and disciplined. The conversion of advanced processes is much more difficult than before, and annual bit growth has slowed down.

(III) Technology and R&D Status

1. Development Strategy

To meet the market trends, The Company has been focusing on specialty market development, which includes consumer, low power and server segments. We will provide high speed DDR4 and low power LPDDR4X products on the basis of our 20nm process technology. We will continue to develop DRAM products with 10nm class process technologies to provide comprehensive product lineup for fulfilling the requirements by next-generation electronic devices.

2. Annual R&D Expenses over the past 5 years (Based on Consolidated Financial Statements Report)

Unit: NT\$ thousands

Year	2017	2018	2019	2020	2021
R&D Expenses	3,673,056	4,887,311	4,926,428	5,137,872	7,499,780

3. Successfully developed technologies and products

The Company has developed 16Mb, 64Mb, 128Mb, 256Mb, 512Mb, 1Gb, 2Gb and 4Gb DRAM products successfully. DDR4 8Gb DRAM has also been launched to the market. Below are the summaries:

- (1) Successfully transfer 0.45μm, 0.36μm, and 0.32μm 16Mb DRAM design, manufacturing process, and element analysis from OKI within 2 years

from setting up the 1st factory. Quickly achieve high yields in both wafer and finished goods, and immediately adopt computer automated production management.

- (2) Successfully self-development 0.32 μ m 5V 16Mb EDO DRAM.
- (3) Successfully finished design of 4 products, 0.32 μ m 16Mb SDRAM, 0.28 μ m 16Mb (2M \times 8), 0.28 μ m 64Mb SDRAM and 0.28 μ m 16Mb SDRAM (1Mb \times 16), within 2 years. 0.32 μ m SDRAM and 0.28 μ m 16Mb SDRAM (1Mb \times 16) was the main products at that time.
- (4) Successfully transfer 0.2 μ m 64Mb and 0.175 μ m 256Mb DRAM from IBM. Self-develop 128Mb DRAM based on IBM technology platform, quickly introduce to production line and achieve the desired yield.
- (5) Successfully convert FAB-1 from stack technology process to trench technology process. Successfully convert FAB-2 from 0.20 μ m technology to 0.175 μ m technology within 8 months from start-up and achieve the desired yield.
- (6) Successfully shrink 64Mb and 128Mb DRAM to 0.175 μ m technology. As to the gross dies of 64Mb DRAM can exceed 1,100 ea per 8-inch wafer; it is very cost-competitive.
- (7) Successfully create the combo design of 0.175 μ m 128Mb and 256Mb SDR/DDR.
- (8) Successfully co-develop 0.14 μ m technology and products with IBM and quickly implement into production line.
- (9) Successfully design 0.175 μ m PC333 DDR product. Successfully develop DDR400 with 0.14 μ m technology product to ensure the leading position in DDR products.
- (10) Successfully design 0.14 μ m DDR1 128Mb specialty product and implement into mass production.
- (11) Successfully design 0.11 μ m DDR1 256Mb and 512Mb products and implement into mass production.
- (12) Successfully design 0.11 μ m DDR2 400, 533, 667 and 800 products and implement into mass production to ensure the leading position in DDR2 products.
- (13) Successfully design 0.09 μ m DDR1 512Mb and DDR2 400, 533, 667 and 800 products and implement into mass production to ensure the leading position in DDR2 products.

- (14) Successfully develop 0.70μm DDR2 512Mb, DDR2 1Gb and DDR3 1Gb products.
- (15) Converted to 42nm technology in the fourth quarter of 2010. Successfully completed customer certification of 50nm DDR2 1Gb, 50nm DDR3 2Gb, and 42nm DDR3 2Gb and internal certification of 42nm DDR3 4Gb.
- (16) Successfully began mass production of LPDDR memory products and developed 30nm process for DDR3 2Gb in the second half of 2011.
- (17) Completed the internal certification of 30nm DDR4 4Gb in the first half of 2012, completed customer certification the same year, and also completed internal certification and customer certification of LPDDR2 512 Mb.
- (18) In the first half of 2013, finish low power product, LPDDR2 4Gb internal and customer qualification and implement into mass production in Q2 of 2013.
- (19) In the second half of 2013, completed the internal certification of 30nm DDR4 4Gb. Provided customers with early DDR4 products for certification, started developing LPDDR2 1Gb, and began internal certification of LPDDR3 4Gb in the same year.
- (20) In the first half of 2014, finish the internal and customer qualification of LPDDR3 4Gb. In Q3 of 2014, start LPDDR3 4Gb mass production and trigger 30nm shrink products design to improve the product competitiveness.
- (21) In second half of 2014, finish 30nm shrink product development and implement to mass production, including 4Gb DDR3 and 1Gb LPDDR2.
- (22) In first half of 2015, finish 30nm shrink product development and implement to mass production, including 1/2/4Gb DDR3 consumer products. In the second half of 2015, finish 30nm 4Gb DDR4 product development and start to mass production. Finish internal qualification for 30nm shrink mobile products, including 2Gb LPDDR2 and 4Gb LPDDR3 in Q4 of 2015.
- (23) In the second half of 2016, completed internal certification, customer certification, and mass production of 30nm 512Mb DDR2 consumer shrink products.
- (24) In the first half of 2017, finish 20nm 4Gb DDR3 consumer product qualification and implement to mass production.

- (25) In Q4 of 2017, finish 20nm 8Gb DDR4 product development, qualification and implement to mass production.
- (26) In Q3 of 2018, completed internal certification, customer certification, and mass production of 20nm 4Gb DDR3 consumer products.
- (27) Completed internal certification and mass production of 20nm 4Gb LPDDR4 in Q1 of 2019 and 8Gb LPDDR4 in Q2 of 2019.
- (28) In Q3 of 2019, completed internal certification and mass production of 20nm 8Gb LPDDR4X.
- (29) In Q1 of 2020, completed internal certification and mass production of 20nm 2Gb LPDDR4/X.

(IV) Long-Term and Short-Term Sales Development Plan

1. Short-Term Sales Development Plan

- (1) Optimize the 20nm product portfolio and expand the 4Gb/8Gb DDR4 promotion.
- (2) Complete the validation at server manufacturers and first tier data center providers for bigger pie in server DRAM markets.
- (3) Enlarge customer base and shipment of 20nm-based products including 4Gb/ 8Gb LPDDR3, 2Gb/ 4Gb/ 8Gb LPDDR4/ 4X. Intensify focus on better penetration into sub-segments like smart phone, wearables, smart speakers, portable devices and enterprise SSD.

2. Long-Term Sales Development Plan

- (1) Continue the migration to advanced process nodes, and provide more product mix to meet customers' demand for different density budget.
- (2) Prioritize consumer, mobile and server markets as the major market domain.
- (3) Extend services to versatile packages from DRAM discrete, KGD (known good die), and MCP (multi-chip packages). Additional, offer automotive/ industrial grade products and customization services to add NTC's product values and to strengthen competitiveness to its peers.

II. Market Status and the Overview of Sales and Production

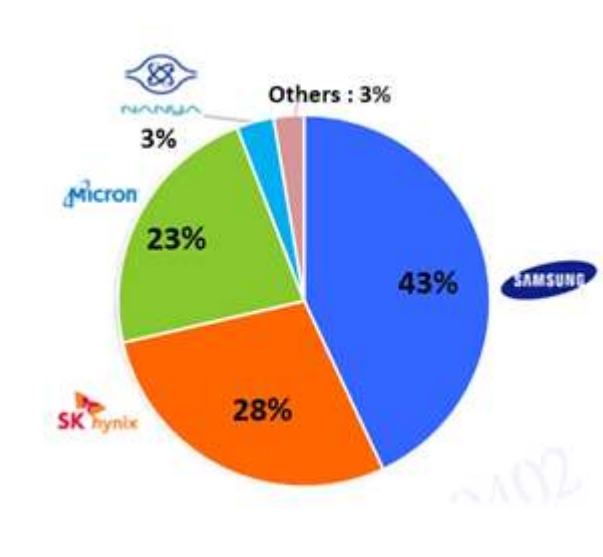
(I) Market Status

1. Sales Regions

The Company has a worldwide customer base. To provide the fast and real time service, we set up a global sales network which includes the U.S., Europe, Japan, China and Taiwan. We will continue expanding the customer groups in all sale regions and respond to diversifying market applications and customization of products.

2. Market Share

The global market's main DRAM suppliers include Samsung, SK hynix, Micron, and Nanya Technology Corporation. In 2021, The Company was ranked number 4 with 3% market share.



Source: DRAmEXchange, NTC

3. DRAM Market Outlook

DRAM is a key component in smart electronic products, and smartphones and servers/data centers are currently the main fields of application. Following the development of 5G, AI, IoT, big data, self-driving vehicles, and metaverse technologies, the launch of smart consumer electronics products will diversify DRAM applications in the future, and bit demand will grow at an annual rate of 15-20%.

According to evaluations of market survey companies, the inventory of suppliers was at low levels in early 2022, and current plans of suppliers to increase supply matches the growth in demand.

Summarizing the supply and demand information above, we expect the second quarter of 2022 to continue the slight pull back that started in the first quarter, but has the opportunity to gradually improve each quarter thereafter. It is still necessary to monitor inflation, the war between Russia and Ukraine, pandemic, and material shortages in the supply chain.

4. Competitive Niche

There are diversified applications and many product specs in the DRAM market, and our company is identified as a key supplier in the global memory market.

5. Favorable and Unfavorable Factors Affecting Our Development

(1) Favorable Factors

- A. DRAM market structure already becomes an oligopoly. The market is expected to remain steady and disciplined.
- B. Focus on consumer and low power niche markets, and continue to expand market shares in automotive, networking, customized segments which require long-term and stable supply.
- C. Develop and offer customers our complete product lines with 20nm and our proprietary 10nm class technology.
- D. With the strong support from Formosa Group, and its strict production management system, strictly control quality, cost and delivery time.

(2) Unfavorable Factors

- A. The difficulties of develop DRAM advanced technology are high and the investment amount become huge.
- B. The market applications are diversified and new applications are introduced at any time.
- C. Threats from new comers, no impact in the near term, but need to monitor their development longer term.

(3) Response Measures

- A. Develop 10nm class technology to remain competitive.
- B. Develop high density products and focus on the server market.
- C. With a high-quality customer service, we have established a close strategic alliance with our chip vendors and customers to jointly develop new generations of consumer electronics products and to meet diverse needs.
- D. To deeply root in consumer and low-power application markets, and develop automotive, networking, industrial niche market segments which require long-term and stable supply.
- E. Collect market information, stay up-to-date on customer trends, and flexibly adjust product portfolio to maintain steady operations.

(II) Key Applications of Primary Products and the Production Process

1. Important Applications of Primary Products

NTC's primary products are DRAM (Dynamic Random Access Memory) and other memory products. DRAM products are used to store

the data while data processing and have a wide range of applications, such as mobile phones, servers, PC, consumer electronics and automotive applications.

2. Production Process

The production of integrated circuits can divide into three stages: making the silicon wafers, making the integrated circuits, and packing the integrated circuits. Nanya focuses making of integrated circuits. The process, which takes approximately one to two months from start to finish, is very complicated and basically comprised several hundreds of different steps. The circuits are printed on the wafer using layers of masks by repeating processes including lithography, etching, oxidation, ion implantation, and thin film several times. Then, the wafers are sent to the testing area to verify the functions of each IC. The wafer is then sent to the packaging house for packaging and testing.

(III) Supply of Raw Materials

Raw materials include silicon wafers and chemicals such as photoresist, special gases, and abrasives, and they are provided by the world's leading semiconductor material suppliers from Japan, the U.S. and Taiwan who guarantee quality and stable supply. To diversify the risk of material supply, the Company has alternative solution to ensure the supply chain will not be interrupted by accidents.

We organize "open bids" through the procurement system of Formosa Technology E-Market Place, and provide vendors with online inquiry, quotation, negotiation, purchase order, delivery, and payment progress inquiry functions. All information is encrypted via electronic certificates and protected by a firewall to ensure the safety of all data being transferred. After the computer opens all bids for a request for quotation, the vendor that bids the lowest price with a delivery time and quality that meet requirements will be given priority.

We implement comprehensive supplier management and assessment to achieve stable material quality and delivery, and also ensure the quality and progress of construction. All suppliers are assessed and graded when they register, and any late delivery (construction), poor quality, or violation of labor safety by suppliers are automatically included in their assessment records. This eliminates lower grade suppliers and maintains long-term relationships with good suppliers.

We combine the ERP computer management system that we have perfected over the years with our quantified, open, and transparent online

procurement mechanism to create a high quality, safe, convenient, and fast electronic trading environment. We have expanded to other vertical and horizontal industries to share the "Formosa Plastics Experience" with all enterprises in an electronic era. At present, our supply chain consists of over 10,000 suppliers and contractors who share the business opportunities and economic benefits of open transactions on this electronic transaction platform.

(IV) Suppliers/Customers Accounted for at Least 10% of Annual Procurement/Sales

1. Major Customers for the Last Two Years

Unit: NT\$ thousands; %

Item	2020				2021			
	Company Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with issuer	Company Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with issuer
1	KINGSTON	7,339,958	12.0	N/A	WPI	11,495,178	13.4	N/A
2	Huawei	6,268,808	10.3	N/A	MediaTek Inc.	10,090,072	11.8	N/A
	Other	47,396,748	77.7		Other	64,018,908	74.8	
	Net sales	61,005,514	100.0		Net sales	85,604,158	100.0	

Analysis of Changes in the Most Recent Two Years: The Company continued to strengthen the sales of consumer, low power and data center applications, and its annual growth rate of sales had increased in 2021.

2. Major Suppliers for the Last Two Years

Unit: NT\$ thousands; %

Item	2020				2021			
	Company Name	Amount	As a percentage of net purchase ratio (%)	Relationship with issuer	Company Name	Amount	As a percentage of net purchase ratio (%)	Relationship with issuer
1	—	—	—	—	—	—	—	
	Other	11,979,906	100.0		Other	12,376,681	100.0	
	Net purchase	11,979,906	100.0		Net purchase	12,376,681	100.0	

Analysis of Changes in the Most Recent Two Years: The Company continued to adjust the ratio of supply to diversify the risk of purchase in 2021.

(V) Production over the Last Two Years

Unit: NT\$ thousands; Thousands pcs

Products	Year	2020			2021		
	Output	Production capacity (Note)	Output volume	Amount	Production capacity (Note)	Output volume	Amount
Memory		840,000 wafer pcs/year	1,357,648	56,901,331	810,000 wafer pcs/year	1,402,026	78,751,707
Total shares		—	—	56,901,331	—	—	78,751,707

Note: Production capacity refers to total output.

(VI) Shipments over the Last Two Years

Unit: NT\$ thousands; Thousands pcs

Main Products	Year	2020				2021			
	Sales	Domestic sales		Export		Domestic sales		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Memory		397,501	14,077,071	1,048,926	46,789,249	473,770	24,358,285	1,044,893	61,116,253
Other		—	138,130	—	1,064	—	128,612	—	1,008
Total shares		—	14,215,201	—	46,790,313	—	24,486,897	—	61,117,261

III. Number of employees, average years of service, average age, and distribution of academic qualifications in the most recent two years up to the date of annual report publication

Unit: Persons

Year		2020	2021	As of March 31, 2022
Number of employees (Persons)	Indirect labor	2,006	2,020	2,028
	R&D staff	922	953	957
	Direct labor	614	581	569
	Total shares	3,542	3,554	3,554
average age		37.41	38.12	38.26
average seniority		10.09	10.74	10.88
Academic qualification(%)	Ph.D	1.02	1.21	1.24
	Master	37.61	38.13	38.41
	Bachelor	54.54	53.88	53.63
	higher School	6.80	6.75	6.7
	Under high school	0.03	0.03	0.03

IV. Environmental Expenses Information

We introduced the environmental accounting system in 2008 and the environmental benefits accounting system in 2009; the systems were formally implemented in 2010. The environmental accounting system allows us to monitor environmental expenditure information, evaluate the benefits from environmental expenditures, and concretely and correctly disclosure our environmental protection measures to stakeholders. Statistics are compiled for each category of environmental protection expenditures according to the rules established by the Environmental Protection Administration, and are used for internal management, so that the public will understand the environmental protection efforts of enterprises. Statistics show that environmental capital expenditures in 2021 totaled NT\$151,394K, and environmental expenses was NT\$722,020K, amounting to NT\$873,414K, which is 1.02% of our 2021 consolidated revenue.

NTC is committed to promoting environmental protection management, formulating environmental and safety performance indicators, promoting various waste reduction and resource reuse, greenhouse gas reduction and other projects, in order to comply with the trend of global environmental protection. NTC environmental protection certificate management, testing contents, and reporting items were all handled according to the laws. There was no violation of environmental protection regulations in 2021.

V. Labor Relations

(I) The Company's employee benefits, continuing education, training, retirement system, and actual state of implementation, as well as labor-management negotiations and measures for employee rights protection:

1. Employee Welfare Measures: We have convenience stores, coffee shops, health care center, gym, basketball and badminton court. In addition, we provide employee dormitory for single personnel; Shuttle bus services are available in several routes. The Employee Welfare Committee plans several activities and provides employees with a gift coupon on the Dragon Boat Festival, Moon Festival, and Birthday.
2. Training and Development: In order to maintain NTC's development strategy and employee's demand of self-development, we provide a series of complete training courses and advanced studies, including new employee training, helping them adapt to company's environment and culture quickly. We systematically provide employees with courses that teach the

professional knowledge, skills, and attitudes required for their duties. NTC also plans on-the-job training, professional training, leading and management training. Besides, we also cooperate with well-known universities to set up further study programs, satisfying employee's self-development demand. We will keep going to offer multiple resources and enhance our demand of employee's competitive in global.

3. Retirement Plan and Its Practices: To keep employee's mind on his work and make his retirement life with good quality, NTC has established a Retirement Plan according to Regulations Governing the Retirement of the Factory Workers of Taiwan Province, Labor Standards Act, and Labor Retirement Pension. For those choosing the old pension fund system, the Company has deposit 2% monthly salary to a special retirement Account of Bank of Taiwan. It has been supervised by NTC Worker Retirement Fund Supervisory Committee. For the others choosing the new pension fund system, the Company contributes 6% monthly salary to employee's individual retirement account in accordance with Monthly Contribution Wages Classification of Labor Pension. Employees are eligible to contribute more amounts voluntarily, and the amount will be deposit into his retirement account also. The execution of the Pension Plan is in good condition.
4. The Company has diverse, open and transparent communication channels in place to maintain harmonic employment relation, facilitate labor-management collaboration and improve workers' benefits. These communication channels not only enable employees to express opinions on various issues concerning health, safety, benefits and basic work conditions, but also allow the Company to take initiative in learning employees' thoughts and address problems in a timely manner. Employees can report any illegal conduct through the employee protection and complaint mailbox and hotline, and the whistleblower mailbox and hotline; employees can express their opinions on the Company's regulations and systems to the Human Resources Department. Employees are entitled to communicate openly and thoroughly with the management about work-related or personal affairs, terms of employment, salary, benefits and personal opinions.
5. NTC has good relationship between employee and management team so far.

- (II) Case of Labor Management Conflict which results in any losses at the moment or in the future and disclosure of estimated amount and applicable solutions as of the most recent fiscal years, and during the current fiscal year up to the date of printing of the Annual Report:

NTC complies with local labor laws and protects employees' basic work rights and employee benefits. Stay up-to-date on amendments to labor laws and regulations, review the appropriateness of the Company's internal management regulations, and revise relevant regulations to implement the compliance system. We have adopted self-inspection and risk prevention concepts to protect labor rights and improve the work environment, which lowers the probability of labor-management disputes. There were no administrative fines imposed by the competent authority of labor in 2021 as a result of our efforts.

VI. Information Security Management

- (I) Information security risk management framework, information security policy, specific management plans, and resources invested in information security management:

The purpose of information security management is to ensure network security and stability, and prevent information system abnormalities and computer data corruption, which will prevent the Company from continuing to do business. The Company thus established the Computer Resource Requirements and Use Management Guidelines and Company Classified Information Management Guidelines, providing standards for information system, network, and personal computer management, as well as safe conduct guidelines for Internet access and sending/receiving e-mails, in order to ensure the Company's information security. The information security risk management framework, information security policy, specific management plans, and resources invested in information security management are as follows:

1. Information security management framework:

The Company established a cross-departmental Information Security Committee, in which the president serves as the convener and five senior executives serve as committee members. Meetings of the Information Security Committee are convened every week. The committee is mainly responsible for the planning, formulation, approval, and supervision of the Information Security policies, goals, and related regulations. In addition, the committee quarterly reports the results of the operations of the Information Security Management System to the board of directors. We

have an Information Security Section responsible for planning, implementation, auditing, and improvement of information security management, and we established related management regulations and handling guidelines. All of our applications, operating system, and network systems have layers of control and protection mechanisms to prevent disasters, data corruption, and theft of confidential information. These effectively control our corporate information system risks and maintain business continuity.

2. Information security policy:

We insist on strengthening our information security, and ensure the confidentiality, integrity, and availability of information, so as to protect the rights and interests of customers, shareholders, employees, and suppliers, while fulfilling our CSR.

3. Information security measures:

- (1) Comprehensive defense-in-depth architecture: Formed by sensitive data encryption, endpoint protection, and network gateway protection, which are supported by network access control, document output management, and e-mail protection mechanisms. We also installed metal detectors for controlled information security products and issued company smartphones for information security, so as to prevent external cyberattacks and internal leaks.
- (2) Established physical security measures: Access control, system login identity authentication, password control, access right control, and periodic vulnerability scanning.
- (3) Strengthened endpoint security: Installed anti-virus software, updated security patches, controlled USB access, and established a backup mechanism to strengthen system security and lower the risk of system vulnerabilities.
- (4) Protection from the threat of external attacks: Installed an information security system, web isolation, and file disarming mechanisms to prevent computer viruses or malware from affecting information system services or accessing confidential data, and also prevent the theft of confidential data through social engineering.
- (5) Protection of trade secrets: We reviewed trade secrets and registered them in the system to encourage company employees to record their innovation and contribution, and ensure that the Company's trade secrets

are properly protected.

- (6) Established an independent R&D environment: We established an independent information system and office with complete security measures, and implemented a classified document encryption and approval and authorization mechanism to ensure the safety and completeness of R&D results.
- (7) Real-time intelligence operations center: System log interpretation and analysis, real-time abnormality warnings and emergency response, in order to prevent threats and risks from expanding.
- (8) Enhanced training to raise information security awareness: We provide employees with annual information security education, training, social engineering exercises, and testing to raise their awareness of information security risks.
- (9) Regulatory compliance: Each year, we examine our information security measures and regulations, follow information security issues, and formulate response plans to ensure their appropriateness and effectiveness.
- (10) Supply chain security: In addition to the Company itself, we have expanded our information security to the entire supply chain. Equipment must pass a security inspection when entering our factories before they may be used. We also signed an information security clause with vendors and their employees to prevent attacks through our supply chain.
- (11) Specialist cultivation: We recruit and develop the expertise and interdisciplinary integration ability of IT personnel, who obtain international certifications to enhance their core competencies and broaden their expertise.

4. Information security training and promotion 2021:

- (1) A total of 3,442 people completed the e-learning course "Analysis and identification of common social engineering attack methods (A) and (B)."
- (2) Organized Information Security Month – A total of 3,423 people participated in the online Q&A with coverage reaching 99%.
- (3) Conducted 8 e-mail social engineering drills (twice per quarter) and sent a total of 27,583 e-mails to employees; 1.0% of employees clicked on the link in the e-mails.

- (4) All employees at the head office are required to complete reading courses on the Company Classified Information Management Guidelines and Computer Resource Requirements and Use Management Guidelines; training was 100% completed in 2021.

5. Resources invested in information security management

- (1) Appointed an information security officer and established an Information Security Section under the President's Office, which currently has 7 professional information security personnel, on April 1, 2017.
- (2) Installed a door frame metal detector and issued company smartphones for information security control in 2017.
- (3) Began planning the implementation of a privileged account management system (CyberArk) in the first quarter of 2019 for centralized management and records of privileged account login and operations on important servers.
- (4) Obtained the international certification ISO/IEC 27001:2013 Information Security Management System (ISMS) in 2019 (the certification's valid is from October 20, 2019 to October 20, 2022).
- (5) Conducted a third party penetration test in 2021 to examine the results of implementing controls for information security management, and carried out improvements and reinforcement of deficiencies found in drills. A professional information security contractor will be commissioned for annual drills.
- (6) Established employee web isolation and file disarming mechanisms to prevent computer viruses or malware from affecting information system services.
- (7) Planned and implemented employee information security awareness training and professional information security training courses.
- (8) In coordination with the enactment of the Cyber Security Management Act, the Company is required to obtain 4 effective cyber security certificates the same as government agencies with Grade A information security responsibilities. We have already obtained EC-Council CCISO (Certified Chief Information Security Officer), EC-Council ECSA (Certified Security Analyst), EC-Council CEH (Certificated Ethical Hacker), and ISO/IEC 27001:2013 Information Security Management System (ISMS) Lead Auditor (ISMS chief auditor) to enhance the professional competencies and efficiency of information security

personnel.

- (II) Losses sustained due to major information security incidents, potential impact, and response measures in the most recent year and up to the date of report; if it cannot be reasonably estimated, describe the facts that cannot be reasonably estimated: The Company did not have any major information security incidents in the most recent year and up to the date of report.

VII. Material Contracts

Agreements	Party	Term	Summary	Restriction Clause
Service Agreement	Inotera Memory Inc. (Renamed Micron Memory Taiwan, MMT)	From July 15, 2003 to April 3, 2022	Service provision	N/A
Amended and Restated Technology Transfer and License Agreement	Micron Technology Inc.	From November 26, 2008, until certain termination terms or mutual termination	Technology transfer and license	N/A
Technology Transfer and License Option Agreement for 20nm Process Node	Micron Technology Inc.	From January 1, 2013, until certain termination terms or mutual termination	Technology transfer and license	N/A

F. Financial Overview

I. Five-Year Financial Summary

(I) Condensed Statements of Financial Position and Comprehensive Income by – by IFRSs

1. Condensed balance sheet

Unit: NT\$ thousands

Year Item		Five-Year Financial Summary (Note 1)				
		2021	2020	2019	2018	2017
Current assets		106,459,698	76,744,601	72,862,627	82,386,911	62,406,327
Property, plant and equipment		76,206,692	79,728,620	85,530,112	95,358,992	86,241,880
Intangible assets		1,013,517	1,258,380	296,710	45,881	136,550
Other assets		7,740,956	7,900,379	6,411,203	4,794,029	1,994,545
Total assets		191,420,863	165,631,980	165,100,652	182,585,813	150,779,302
Current liabilities	Before Dist.	15,691,562	8,778,672	12,271,542	16,763,342	14,703,104
	After Dist.	Note 2	12,778,672	16,871,542	38,463,342	25,582,392
Non-current liabilities		2,751,233	3,041,281	817,557	915,173	3,961,010
Total Liabilities	Before Dist.	18,442,795	11,819,953	13,089,099	17,678,515	18,664,114
	After Dist.	Note 2	15,819,953	17,689,099	39,378,515	29,543,402
Equity attributable to owners of the parent		172,978,068	153,812,027	152,011,553	164,907,298	131,999,865
Common stock		30,968,749	30,935,939	30,733,649	31,032,389	29,863,340
Advance receipts for share capital		4,508	36,264	3,475	6,488	-
Capital surplus		32,804,505	32,451,689	32,005,339	33,557,005	27,277,191
Retained earnings	Before Dist.	113,317,248	94,546,574	91,457,122	103,367,925	74,898,497
	After Dist.	Note 2	90,546,574	86,857,122	81,667,925	64,019,209
Other equity		(4,116,942)	(3,011,507)	(1,041,100)	(273,834)	(39,163)
Treasury stock		-	(1,146,932)	(1,146,932)	(2,782,675)	-
Non-controlling interest		-	-	-	-	115,323
Total equity	Before Dist.	172,978,068	153,812,027	152,011,553	164,907,298	132,115,188
	After Dist.	Note 2	149,812,027	147,411,553	143,207,298	121,235,900

Note 1: The Financial Statements from the past five years have been audited by KPMG.

Note 2: The proposed distribution of 2021 earnings has yet not been approved by the Annual General Meeting.

2. Condensed statement of comprehensive income

Unit: NT\$ thousands

Year Item		Five-Year Financial Summary (Note)				
		2021	2020	2019	2018	2017
Operating revenues		85,604,158	61,005,514	51,727,458	84,721,804	54,918,224
Gross profit		37,043,948	15,691,578	16,494,087	46,616,003	24,644,147
Operating income		27,186,323	8,434,474	9,516,820	39,355,470	18,791,300
Non-operating income and expenses		581,107	556,743	1,708,462	2,228,867	23,039,231
Income before income tax		27,767,430	8,991,217	11,225,282	41,584,337	41,830,531
Profit from Continuing Operation		22,849,015	7,686,041	9,824,599	39,360,850	40,294,624
Income (Loss) from Discontinued Operation		—	—	—	—	—
Net income (Loss)		22,849,015	7,686,041	9,824,599	39,360,850	40,294,624
Other comprehensive income of the term (Net income after tax)		(1,183,776)	(1,966,996)	(802,668)	(247,580)	(7,897,606)
Total comprehensive income		21,665,239	5,719,045	9,021,931	39,113,270	32,397,018
Net Income attributable to owners of the parent		22,849,015	7,686,041	9,824,599	39,361,625	40,281,927
Net income attributable to non-controlling interests		—	—	—	(775)	12,697
Total comprehensive income attributable to owners of the parent		21,665,239	5,719,045	9,021,931	39,114,045	32,384,321
Total comprehensive income attributable to Non-controlling interest		—	—	—	(775)	12,697
Earnings per share	Before adjustment	7.4	2.51	3.23	12.8	14.36
	After adjustment	—	—	—	—	—

Note: The Financial Statements from the past five years have been audited by KPMG.

3. Condensed Statements of Financial Position – Stand-alone by IFRSs

Unit: NT\$ thousands

Item \ Year		Five-Year Financial Summary (Note 1)				
		2021	2020	2019	2018	2017
Current assets		61,481,974	41,860,123	35,276,840	71,765,971	61,632,067
Property, plant and equipment		76,178,890	79,696,505	85,513,880	95,339,823	86,218,545
Intangible assets		1,013,517	1,258,380	296,710	45,881	136,442
Other assets		52,652,427	42,809,464	44,006,010	36,014,363	2,529,325
Total assets		191,326,808	165,624,472	165,093,440	203,166,038	150,516,379
Current liabilities	Before Dist.	15,601,643	8,776,884	12,267,524	37,346,075	14,580,862
	After Dist.	Note 2	12,776,884	16,867,524	59,046,075	25,460,150
Non-current liabilities		2,747,097	3,035,561	814,363	912,665	3,935,652
Total Liabilities	Before Dist.	18,348,740	11,812,445	13,081,887	38,258,740	18,516,514
	After Dist.	Note 2	15,812,445	17,681,887	59,958,740	29,395,802
Equity attributable to owners of the parent		—	—	—	—	—
Common stock		30,968,749	30,935,939	30,733,649	31,032,389	29,863,340
Advance receipts for share capital		4,508	36,264	3,475	6,488	-
Capital surplus		32,804,505	32,451,689	32,005,339	33,557,005	27,277,191
Retained earnings	Before Dist.	113,317,248	94,546,574	91,457,122	103,367,925	74,898,497
	After Dist.	Note 2	90,546,574	86,857,122	81,667,925	64,019,209
Other equity		(4,116,942)	(3,011,507)	(1,041,100)	(273,834)	(39,163)
Treasury stock		—	(1,146,932)	(1,146,932)	(2,782,675)	—
Non-controlling interest		—	—	—	—	—
Total equity	Before Dist.	172,978,068	153,812,027	152,011,553	164,907,298	131,999,865
	After Dist.	Note 2	149,812,027	147,411,553	143,207,298	121,120,577

Note 1: The Financial Statements from the past five years have been audited by KPMG.

Note 2: The proposed distribution of 2021 earnings has yet not been approved by the Annual General Meeting.

4. Condensed Balance Sheets and Statements of Operations— Stand-alone by IFRSs

Unit: NT\$ thousands

Unit: NT\$ thousands

<div>Year</div> <div>Item</div>		Five-Year Financial Summary				
		(Note)				
		2021	2020	2019	2018	2017
Operating revenues		85,481,242	60,700,390	51,475,494	84,269,952	54,086,251
Gross profit		36,758,281	15,416,122	16,233,371	46,292,143	24,257,260
Operating income		27,058,438	8,343,289	9,449,910	39,248,107	18,706,036
Non-operating income and expenses		615,176	630,729	1,758,464	2,318,431	23,087,047
Income before income tax		27,673,614	8,974,018	11,208,374	41,566,538	41,793,083
Profit from Continuing Operation		22,849,015	7,686,041	9,824,599	39,361,625	40,281,927
Income (Loss) from Discontinued Operation		-	—	—	—	—
Net income (Loss)		22,849,015	7,686,041	9,824,599	39,361,625	40,281,927
Other comprehensive income of the term (Net income after tax)		(1,183,776)	(1,966,996)	(802,668)	(247,580)	(7,897,606)
Total comprehensive income		21,665,239	5,719,045	9,021,931	39,114,045	32,384,321
Net Income attributable to owners of the parent		-	—	—	—	—
Net income attributable to non-controlling interests		-	—	—	—	—
Total comprehensive income attributable to owners of the parent		21,665,239	5,719,045	9,021,931	39,114,045	32,384,321
Total comprehensive income attributable to non-controlling interests		—	—	—	—	—
Earnings per share (NT\$)	Before adjustment	7.4	2.51	3.23	12.8	14.36
	After adjustment	—	—	—	—	—

Note: The Financial Statements from the past five years have been audited by KPMG.

(II) Condensed Statements of Comprehensive Income– by ROC GAAP

NTC has used the International Financial Reporting Standard(s) since 2013. Please refer to the information in the above table for 2017-2021 financial data.

(III) Auditors' Opinions from the past five years

Year	Accounting firm	CPA's Name	Auditing Opinion
2017	KPMG Certified Public Accountants Firm	Delphi Chen and Astor Kou	An Unqualified Opinion Subsequent to Revision
2018	KPMG Certified Public Accountants Firm	Astor Kou and Delphi Chen	An Unqualified Opinion Subsequent to Revision
2019	KPMG Certified Public Accountants Firm	Astor Kou and Hsin-Yi Kuo	An Unqualified Opinion Subsequent to Revision
2020	KPMG Certified Public Accountants Firm	Astor Kou and Hsin-Yi Kuo	Unmodified Opinion
2021	KPMG Certified Public Accountants Firm	Astor Kou and Hsin-Yi Kuo	Unmodified Opinion

II. Five-Year Financial Analysis

(I) Financial Analysis – Consolidated by IFRSs

Item \ Year		Five-Year Financial Analysis				
		2021	2020	2019	2018	2017
Capital structure	Debt ratio (%)	9.63	7.13	7.92	9.68	12.37
	Long-term Fund to Property, Plant and Equipment Ratio (%)	230.59	196.73	178.68	173.89	157.78
Liquidity	Current ratio (%)	678.45	874.21	593.75	491.47	424.44
	Quick ratio (%)	594.32	695.98	432.73	408.39	366.56
	Times interest earned (times)	1174.25	686.46	3440.11	7240.61	92.00
Operating performance	Accounts receivable turnover (times)	8.80	8.04	6.06	9.26	7.68
	Days sales outstanding	41.47	45.39	60.23	39.41	47.52
	Inventory turnover (times)	3.77	2.81	2.32	3.99	5.15
	Accounts payable turnover (times)	19.57	18.80	9.67	9.58	6.74
	Inventory turnover days	96.81	129.89	157.32	91.47	70.87
	Property, plant and equipment turnover (times)	1.09	0.73	0.57	0.93	0.71
	Total assets turnover (times)	0.47	0.36	0.29	0.50	0.38
Profitability	Return on total assets (%)	12.80	4.65	5.65	23.61	28.27
	Return on total equity (%)	13.98	5.02	6.20	26.50	37.00
	Pre-tax income to paid-in capital ratio (%)	89.65	29.05	36.52	133.97	140.07
	Net margin (%)	26.69	12.59	18.99	46.45	73.37
	Earnings per share (NT\$)					
	Before adjustment	7.4	2.51	3.23	12.8	14.36
	After adjustment	—	—	—	—	—
Cash flow	Current Ratio (%)	281.09	257.57	141.84	287.79	154.33
	Quick Ratio (%)	115.92	85.43	84.72	112.59	112.39
	Times Interest Earned (Times)	12.42	6.23	-1.56	13.67	8.00
Leverage	Operating leverage	1.56	2.71	2.51	1.30	1.45
	Financial leverage	1.00	1.00	1.00	1.00	1.02

Reasons for changes in financial ratios in recent two years. (Analysis not necessary if the change does not reach 20%)

1. Debt ratio increased in 2021 due to the increase in current liabilities. Times interest earned increased in 2021 due to the increase in pre-tax profit.
2. Net profit and pre-tax profit increased and overall profitability improved in 2021 due to the increase in average selling price of products.
Average inventory turnover days decreased due to the increase in operating costs in 2021, which resulted in higher inventory turnover.
3. Cash flow adequacy ratio and reinvestment ratio both increased in 2021 due to the increase in net cash inflow from operating activities and decrease in cash dividends.
4. Operating leverage decreased due to the increase in operating profit in 2021.

Note: The Financial Statements from the past five years have been audited by KPMG.

(II) IFRS – Standalone

Item \ Year			Financial analysis for the most recent five years				
			2021	2020	2019	2018	2017
Capital structure	Debt ratio (%)		9.59	7.13	7.92	18.83	12.30
	Long-term Fund to Property, Plant and Equipment Ratio (%)		230.67	196.80	178.71	173.92	157.66
Liquidity	Current ratio (%)		394.07	476.93	287.56	192.16	422.69
	Quick ratio (%)		310.43	299.24	126.92	154.92	365.31
	Times interest earned (times)		1170.29	690.08	3588.82	7806.92	92.47
Operating performance	Accounts receivable turnover (times)		8.36	7.71	5.80	8.74	7.18
	Days sales outstanding		43.66	47.34	62.93	41.76	50.83
	Inventory turnover (times)		3.80	2.81	2.33	4.02	5.22
	Accounts payable turnover (times)		19.59	18.79	9.67	9.62	6.69
	Inventory turnover days		96.05	129.89	156.65	90.79	69.92
	Property, plant and equipment turnover (times)		1.09	0.73	0.56	0.92	0.70
	Total assets turnover (times)		0.47	0.36	0.27	0.47	0.37
Profitability	Return on total assets (%)		12.81	4.65	5.33	22.26	28.31
	Return on total equity (%)		13.98	5.02	6.20	26.51	37.03
	Pre-tax income to paid-in capital ratio (%)		89.35	28.99	36.46	133.91	139.94
	Net margin (%)		26.72	12.66	19.08	46.70	74.47
	Earnings per share(NT\$)	Before adjustment	7.4	2.51	3.23	12.8	14.36
		After adjustment	—	—	—	—	—
Cash flow	Current Ratio (%)		279.71	248.57	136.72	128.77	152.27
	Quick Ratio (%)		114.06	84.15	83.75	111.84	112.25
	Times Interest Earned (Times)		12.28	5.96	-1.79	13.62	7.80
Leverage	Operating leverage		1.56	2.73	2.52	1.30	1.45
	Financial leverage		1.00	1.00	1.00	1.00	1.02

Reasons for changes in financial ratios in recent two years. (Analysis not necessary if the change does not reach 20%)

- Debt ratio increased in 2021 due to the increase in current liabilities. Times interest earned increased in 2021 due to the increase in pre-tax profit.
- Net profit and pre-tax profit increased and overall profitability improved in 2021 due to the increase in average selling price of products.
Average inventory turnover days decreased due to the increase in operating costs in 2021, which resulted in higher inventory turnover.
- Cash flow adequacy ratio and reinvestment ratio both increased in 2021 due to the increase in net cash inflow from operating activities and decrease in cash dividends.
- Operating leverage decreased due to the increase in operating profit in 2021.

Note: The Financial Statements from the past five years have been audited by KPMG.

Formulas for financial analysis are as follows:

1. Capital structure
 - (1) Debt ratio = Total liabilities / Total assets
 - (2) Long-term fund to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment
 2. Liquidity
 - (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current liabilities
 - (3) Times interest earned = Net Income before tax and interest expenses / Interest expenses
 3. Operating performance
 - (1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance
 - (2) Days sales outstanding = 365 / Receivable turnover
 - (3) Inventory turnover = Cost of goods sold / Average inventory
 - (4) payable turnover (including accounts payable and notes payable) = Cost of goods sold / Average account payable (including account payable and notes payable) balance
 - (5) Inventory turnover days = 365 / Inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment
 - (7) Total assets turnover = Net sales / Average total assets
 4. Profitability
 - (1) Return on total assets = [Net income after tax + interest expense x (1-interest rate)] / Average total assets
 - (2) Return on total equity = Net income after tax / Average shareholders' equity
 - (3) Net margin = Net income / Net sales
 - (4) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding
 5. Cash flow
 - (1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
 - (3) Cash flow reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)
 6. Leverage
 - (1) Operating leverage = (Operating revenues – variable cost and expense) / Operating Income
 - (2) Financial leverage = Operating income / (Operating income – interest expenses)
- (III) Financial Analysis – by ROC GAAP

NTC has used the International Financial Reporting Standard(s) since 2013. Please refer to the information in the above table for 2017-2021 financial analysis data.

III. Audit Committee's Review Report for the Most Recent Year:

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements (including consolidated and Stand-alone statements), and Proposal for Profits Distribution. The CPA firm of KPMG has audited the Financial Statements and issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Nanya Technology Corporation. According to the Article of the Securities and Exchange Act and Article of the Company Law, we hereby submit this report.

Nanya Technology Corporation

Chairman of the Audit Committee: Ching-Chyi Lai

February 24, 2022

IV. Consolidated Financial Statements for the Past Year

Please refer to Appendix A of the Annual Report.

V. Stand-alone Financial Statements for the Most Recent Year Reviewed and Certified by Independent Auditors

Please refer to Appendix B of the Annual Report.

VI. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in the most recent year and as of the date of this Annual Report: None

G. Financial Status, Operating Results and Risk Management

I. Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	106,459,698	76,744,601	29,715,097	38.7
Non-current assets	84,961,165	88,887,379	(3,926,214)	(4.4)
Total Assets	191,420,863	165,631,980	25,788,883	15.6
Current liabilities	15,691,562	8,778,672	6,912,890	78.7
Non-current liabilities	2,751,233	3,041,281	(290,048)	(9.5)
Total Liabilities	18,442,795	11,819,953	6,622,842	56.0
Common stock	30,968,749	30,935,939	32,810	0.1
Advance receipts for share capital	4,508	36,264	(31,756)	(87.6)
Capital surplus	32,804,505	32,451,689	352,816	1.1
Retained earnings	113,317,248	94,546,574	18,770,674	19.9
Other equity interest	(4,116,942)	(3,011,507)	(1,105,435)	36.7
Treasury shares	0	(1,146,932)	1,146,932	(100.0)
Total equity	172,978,068	153,812,027	19,166,041	12.5

Explanation for Significant Changes:

1. Current assets: Mainly due to the increase in cash inflow from operating activities.
2. Current liabilities: Mainly due to the increase in accounts/other payables and current tax liabilities.
3. Advance receipts for share capital: Mainly due to the decrease in employee stock options which change of registration has not been completed.
4. Other equity interest: Mainly due to the increase in exchange differences on translation of foreign financial statements.
5. Current assets: Mainly due to the increase in cash inflow from operating activities.

II. Financial performance

(I) Consolidated Report – IFRSs

Unit: NT\$ thousands

Year Item	2021	2020	Change (amount)	%
Operating revenues	85,604,158	61,005,514	24,598,644	40.3
Cost of goods sold	<u>48,560,210</u>	<u>45,313,936</u>	3,246,274	7.2
Gross profit	37,043,948	15,691,578	21,352,370	136.1
Operating expenses	<u>9,857,625</u>	<u>7,257,104</u>	2,600,521	35.8
Operating income	27,186,323	8,434,474	18,751,849	222.3
Non-operating income and expenses	581,107	556,743	24,364	4.4
Income before income tax	27,767,430	8,991,217	18,776,213	208.8
Minus: Income tax expense	<u>4,918,415</u>	<u>1,305,176</u>	3,613,239	276.8
Net income	<u>22,849,015</u>	<u>7,686,041</u>	15,162,974	197.3

Analysis for Significant Changes:

1. Operating revenues: Mainly due to the increase in average selling price.
2. Gross profit: Mainly due to the increase in average selling price.
3. Operating expenses: Mainly due to the increase in new process R&D expenses.
4. Operating income: Mainly due to the increase in operating revenues and gross profit.
5. Income before income tax: Mainly due to the increase in operating income.
6. Income tax expense: Mainly due to the increase in income before income tax.
7. Net income: Mainly due to the increase in income before income tax.

- (II) Expected sales volume and its basis, potential impact on the Company's future financial position and business operations, and response plan: Please refer to A. Letter to Shareholders III. Business Plan for 2022.

III. Cash Flow

(I) Cash Flow Analysis for 2021

Unit: NT\$ thousands

Cash balance, beginning (1)	Annual net cash flow from operating activities (2)	Net cash used in investing and financing activities (3)	Cash surplus (deficit) (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financing plan
51,725,906	44,107,461	(15,133,396)	80,699,971	—	—

1. Operating activities: Net cash inflows from operations this year was NT\$44.1 billion, and was mainly due to net income of NT\$27.8 billion and depreciation of NT\$15.0 billion.
2. Cash outflow from investing activities: Cash outflow from investing activities this year was approximately NT\$10.9 billion, was mainly due to an increase of NT\$11.3 billion in property, plant and equipment.
3. Cash outflow from financing activities: Cash outflow from financing activities this year was approximately NT\$3.1 billion, and was mainly due to cash dividends of NT\$4.0 billion.
4. Remedies for insufficient cash: None

Liquidity:

Item \ Year	December 31, 2021	December 31, 2020	Change (%)
Cash flow ratio (%)	281.09	257.57	9.13
Cash flow adequacy ratio (%)	115.92	85.43	35.69
Cash flow reinvestment ratio (%)	12.42	6.23	99.36

Explanation for significant changes:

- (1) Cash flow adequacy ratio: Mainly due to the increase in cash inflow from operations, decrease in depreciation and cash dividends.
- (2) Cash flow reinvestment ratio: Mainly due to the increase in cash inflow from operations.

(II) Cash flow projection for next year:

Unit: NT\$ thousands

Cash balance, beginning Balance	Annual net cash flow from operating activities	Annual cash outflow	Cash surplus (deficit)	Remedy for insufficient cash	
				Investment plan	Financing plan
80,699,971	33,230,952	(39,870,000)	74,060,923	—	—

Cash inflow from operating activities in the coming year is expected to be approximately NT\$33.2 billion. Cash outflow is expected to be NT\$39.9 billion, and will mainly be for the capital expenditures and cash dividends; our cash balance will be approximately NT\$74.0 billion.

IV. Major Capital Expenditures

Unit: NT\$ thousands

Project	Sources of Funding	Total Funds Required (2021 and 2020)	Actual Capex AMT	
			2021	2020
Production and factory equipment and other capital expenditures.	Equity Fund	19,736,672	11,260,234	8,476,438

The capital expenditures above will allow the Company to transition a portion of its process technology from 30nm to 10nm.

V. Reinvestment Policy, Cause of Gain or Loss, Corrective Action, and Investment Plan for the Coming Year Plan

Unit: NT\$ thousands; December 31, 2022

Item \ Description	Investment	Policy	Cause of Gain or Loss	Improvement plan	Other investment plan
NTC-USA	20,392	Selling of semiconductor products	Gained NT\$23,630 from investment	—	—
Nanya-Delaware	36,005	Designing of semiconductor products	Gained NT\$16,339 from investment	—	—
Nanya-HK	66,271	Selling of semiconductor products	Gained NT\$12,890 from investment	—	—
Nanya-Japan	20,161	Selling of semiconductor products	Gained NT\$103,773 from investment	—	—
Nanya-Europe	30,056	Selling of semiconductor products	Gained NT\$7,910 from investment	—	—
NTC-Shenzhen	27,275	Selling of semiconductor products	Gained NT\$3,889 from investment	—	—
Nanya Technology International, Ltd.	48,145,600	Investment business	Gained NT\$148,456 from investment	—	—

VI. Risk Management

(I) Risk Associated with Interest Rates, Foreign Exchange and Inflation:

1. Interest rate: We do not have any interest bearing debt and our current assets exceed current liabilities. Our cash is mainly invested in short-term investments, future interest rate fluctuations should have no material impact on our profits & losses.

2. Foreign exchange: The functional currency of the Company is NTD. However, since DRAM products are mainly transacted in US dollars, over 90% of the company's revenues are in US dollars. Since over 50% of our capital expenditures each year is paid in USD or other foreign currencies, so we need to maintain an appropriate USD cash position. However, we also need to exchange USD to maintain daily operations and pay cash dividends and employee bonuses. At present, we dynamically adjust our USD cash position each month based on our future USD-denominated asset and debt position, so as to lower the effect of exchange rate fluctuations. In order to minimize the impact to the Company's profits and losses from exchange rate fluctuation, the Company can also buy/sell Foreign Exchange Forward for hedging purposes, if needed.

3. Inflation: According to the announcement by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate of Consumer Price and Core Consumer Price in 2021 is 1.96% and 1.33%, respectively, the impact on our profitability was insignificant.

(II) Risks Associated with High-risk/high-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions:

1. High-risk or high-leveraged investments: The Company did not engage in any high-risk or high-leveraged investments in 2021.

2. Lending to others: We did not lend funds to others in 2021. All lending operations are carried out in accordance with the Company's "The Procedure of Loans of Funds to Others".

3. Endorsements and guarantees: We did not provide any endorsements and guarantees in 2021. The transactions and procedures related to lending and endorsement are based on the Company's "The

Procedure of Making Endorsements or Guarantees”.

4. Financial derivative transactions: We engaged in financial derivative transactions to avoid market risks caused by exchange rate and interest rate fluctuations, and not for arbitrage or speculation. Transactions are executed in accordance with laws and regulations promulgated by the competent authority, IFRSs, “Handling Procedures to Engage in the Derivative Transaction of Products”, and “Foreign Currency Transactions and Risk Management Regulations”.

(III) Future Research & Development Plans and Expected R&D Spending:

We will continue to develop 10nm process technology and products. We estimate R&D expenses in 2022 account for about 8% to 10% of annual revenue.

(IV) Risks Associated with Changes in the Government Policies and Regulatory Environment:

NTC pays close attention to changes in domestic and international politics and economic situations, major policy formation, and regulation amendments. Professional training is provided to NTC employees as needed. The following summarizes major regulatory changes related to our finances and operations from 2021 to February 28, 2022:

1. On July 12, 2021, the Ministry of Economic Affairs ordered Ministerial Order No. 11004602750 to amend the "Administrative Regulations Governing the Use, Supervision and Management of the Deemed Net Profit of Electricity Generation Suppliers", mainly in response to the development trend of renewable energy and consideration of the actual needs of the power generation industry, at the same time expand the application scope of the power generation industry to allocate net profits to invest in the development of renewable energy. This includes the installation of energy storage equipment and investment or acquisition of domestic renewable energy self-use power generation equipment, which are included in the power generation industry to provide net profit. This amendment has no significant impact on the company.
2. On October 21, 2021, the Environmental Protection Administration of the Executive Yuan issued an advance notice of the amendment to the "Climate Change Response Law". The key points of the amendment include the incorporation of the 2050 net zero emission target, strengthening emission

control and incentive mechanisms to promote carbon reduction, levying special carbon fees, and strengthening carbon footprints management mechanisms and product labeling. Our company will continue to monitor the progress and cooperate with the amendment.

- (V) Impact of recent technological (including information security risk) and market changes on the Company's finance and business, and response measures:

Please refer to G. Financial Status, Operating Results and Risk Management VI.

(XIII) 3. (1) Hacking/Virus attacks may result in production, operations, or financial losses and (3) China accelerating the development of DRAM technology may hinder the Company's local business development.

- (VI) Impact of corporate image change on risk management and response measures:

NTC “keep inquiring to the very root” and “rest only when perfection is achieved” and insist on such determination to face problems openly and solve problems with practical methods. Also, we constantly keep the idea of “work hard, rest only when perfection is achieved, devote ourselves to society, and sustainable management.”

- (VII) Risks Associated with Mergers and Acquisitions: None

- (VIII) Risks Associated with Capacity Expansion:

Please see G. Financial Status, Operating Results and Risk Management IV. Major Capital Expenditures. NTC will take the best operational strategy for capacity expansion plans or production adjustments depending on customer needs, market supply and demand and funding sources.

- (IX) Risks Associated with Sales Concentration and Purchase Concentration:

1. Concentration of sales

Please refer to E. Operations overview II. (IV) Suppliers/Customers that Accounted for at Least 10% of Annual Procurement/Sales in the most recent two years. WPI and MediaTek Inc. accounted for more than 10% of sales in 2021, and all other customers accounted for less than 10%. Hence, the risk of sales concentration is acceptable.

2. Concentration of purchase

Please refer to E. Operations overview II. (IV) Suppliers/Customers that Accounted for at Least 10% of Annual Procurement/Sales in the most recent two years. The Company continued to adjust the ratio of supply to diversify the risk of purchase, and there is no supplier accounted for more than 10% of

purchase in 2021. We still have multiple sources and qualified suppliers to ensure the stability and quality of manufacturing materials. Therefore, the risk of purchase concentration risk is minimal.

(X) Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by Nanya's Directors, Supervisors, and/or Major Shareholders Who Own 10% or More of Nanya's Total Outstanding Shares: None

(XI) Risks Associated with Change in Management: None

(XII) Risks Associated with Litigation:

1. In mid of 2010, Nanya Technology Corporation ("Nanya"), other manufacturers and individuals were alleged to international cartel in the industry for DRAM, which may have effected the Brazilian market. This case is currently being reviewed by the courts in the Federative Republic of Brazil. We have engaged counsels to deal with the case to protect our interests.
2. In October, 2016, Lone Star Silicon Innovations accused Nanya Technology Corporation and its subsidiaries (collectively "Nanya") in U.S District Court of East Texas for patent infringement. The Plaintiff has revoked the case in April, 2021, and then the case is closed.
3. The U.S.-based Monterey Research LLC. accused Nanya Technology Corporation and subsidiaries Nanya Technology USA and Nanya Technology Delaware in the U.S. District Court for the District of Delaware for patent infringement in November 2019. We have engaged counsels to properly handle the case to protect our rights and interests.

(XIII) Other Material Risks:

1. Guidelines of internal material information
 - (1) We uphold the principles of "diligence, perseverance, frugality and trustworthiness" and have established a strict code of conduct. We hope that employees will take responsibility for their actions at work and in life and comply with the code of conduct and code of ethics. Employees are strictly prohibited from leaking trade secrets, giving false information, obtaining fraudulent personal gains, or spreading rumors.
 - (2) The Company has a "Personnel Management Rules" and informs the Employee that, without written permission, it shall not disclose any internal information to the public, nor shall it be used for personal or other business purposes.

- (3) We also established Spokesperson Guidelines to provide a complete set of principles for handling information transparency and material abnormalities in our factories. Except from the spokesperson, all employees are prohibited from disclosing information and data on company policy, business, or financial position to the public to prevent violating the law and insider trading.

2. Response measures for the COVID-19 pandemic:

(1) Establish a Pandemic Response Task Force:

We establish a Pandemic Response Task Force on January 30, 2020. The special assistant of the President's Office is appointed as the commander and directly reports to the President. The task force meets periodically and is responsible for establishing, implementing, and providing guidance for pandemic prevention measures and tasks in response to developments in the pandemic and government regulations each day.

(2) Pandemic prevention measures:

We strictly enforce pandemic prevention measures with high standards in coordination with government regulations, in order to protect the health of our employees, suppliers, and visitors.

A. Internal pandemic prevention measures include a work model that divides employees into different groups, areas, and work hours, employees of overseas subsidiaries work at home, and all factory personnel have their temperatures taken, wear masks, and maintain healthy diets.

B. External pandemic prevention measures include visitor control and replacing business trips with video/telephone conferences.

(3) Supply Chain Management:

A. Manufacturing and outsourced packaging and testing are all carried out in Taiwan and not impacted by the pandemic.

B. Our suppliers of raw materials and parts and components currently have not been affected.

(a) Shipments and transportation in the supply chain are currently normal.

(b) Increase stocking in factories and at suppliers.

(c) Increase the sources of suppliers to disperse risk.

(4) Customer support:

Exert every effort to assist customers in maintaining stable production lines, ensure the flexibility of their supply chain, and give priority to satisfying customers' needs.

(5) Operating status and subsequent actions:

The Company's operations and shipments have remained normal since the pandemic began. We will continue to closely monitor developments in the pandemic and take necessary epidemic prevention measures when necessary.

3. Emerging risks:

(1) Hacking/Virus attacks may result in production, operations, or financial losses:

A. Risk description:

- (a) The rise and convenience of the Internet and rise of cryptocurrency provides an excellent environment for cyber criminals to hide. The number of information security incidents (mainly extortion) has significantly increased due to cyberattacks/viruses from hackers. The number of major information security incidents among public companies in Taiwan in the fourth quarter of 2021 was higher than the total of the first three quarters (as shown in the table below).

Major information security incidents of public companies in Taiwan in 2021				
Quarter	2021 Q1	2021 Q2	2011 Q3	2021 Q4
Number of companies	1	4	2	9

Source: TWSE

- (b) According to the Company's internal statistics, the number of hacking attempts has significantly increased since the beginning of 2021; information security risk significantly increased as the number of hacking attempts in the first quarter of 2022 increased 174% compared to the fourth quarter of 2021, and increased 702% compared with the first quarter of 2021.

The number of hacking attempts of the Company since the beginning of 2021					
Quarter	2021 Q1	2021 Q2	2011 Q3	2021 Q4	2021 Q1
Number	31,686	63,560	56,781	128,064	222,536

Source: Information Security Division of the Company

B. Impact:

- (a) Hackers may obtain classified and sensitive data of the Company or customers through attack, and threaten or extort them.
- (b) Hackers may steal the Company's advanced process technologies through attack, and pose a long-term threat to the Company's sustainable development and profitability.
- (c) Hackers may paralyze the Company's operations through attack, and cause production or operational losses.

C. Response measures:

- (a) Step up comprehensive monitoring mechanisms to immediately discover abnormal conduct and lower the probability of hacking or data leakage.
- (b) Establish defense-in-depth to increase the difficulty of hacking, and encrypt classified files to prevent the data from being exploited or used for threats after being leaked.
- (c) Continue to patch system vulnerabilities to lower known risks.
- (d) Continue to analyze hacking methods, patch system vulnerabilities to block attacks.
- (e) Continue to conduct information security incident drills to improve emergency response abilities.
- (f) Evaluate the purchase of information security insurance to transfer losses of the Company

(2) Effect of geopolitics on the supply chain – Conflict between Russia and Ukraine:

A. Risk description:

- (a) The Company uses neon, krypton, and argon gas mixture in its processes, and indirectly uses neon. The supply of neon has been impacted by the war between Russia and Ukraine.
- (b) Two Ukrainian companies Ingas (located in Mariupol) and Cryoin (located in Odessa) supply approximately 45%-54% of the world's neon. According to a report by Reuters in March 2022, Ingas and Cryoin have been forced to suspend operations. The damage to their neon production lines remains unclear.

B. Impact:

- (a) The price of neon, krypton, and argon gas mixture to be used in 2022 Q4 was significantly higher compared with the same period last year (before the war), causing procurement cost to significantly increase.
- (b) There is significant uncertainty in the neon, krypton, and argon gas mixture that the Company will need to purchase in 2023. If neon production lines are severely damaged, even if the war between Russia and Ukraine ends, it will take time for Ingas and Cryoin to return to normal supply. It will also take time for companies in other regions to increase production, so there might continue to be a shortage of neon supply starting in 2023. Failing to stock up might cause production to be suspended.

C. Response measures:

- (a) The Company has a safety stock of neon, krypton, and argon gas mixture until the end of 2022, and also required suppliers to increase their stock.
 - (b) We are negotiating long-term contracts with current suppliers to ensure sufficient supply for 2023.
 - (c) We will continue to use diverse supply sources and monitor subsequent developments to lower our risk.
- (3) China accelerating the development of DRAM technology may hinder the Company's local business development:

A. Risk description:

- (a) The COVID-19 pandemic disrupted global supply chains and increased dependence on technology products. The US-China conflict caused each country to expand the scope and scale of technological developments, and build self-sufficient supply chains.
- (b) China already decided to develop a self-sufficient semiconductor supply chain before the COVID-19 pandemic and US-China trade war. Hence, as the US and China continue to decouple, we expect China's government to continue supporting DRAM manufacturers, and it will affect our business development in China.

B. Impact:

- (a) The Company does not have any factories in China, and we expect Chinese companies to give priority to the products of local DRAM manufacturers to avoid geopolitical risk.
- (b) At present, China's DRAM products are mainly used in mobiles and consumer electronics products, and partially overlap with the Company's products. We expect the products to start affecting our sales in China's market in 2023.
- (c) In the future, if Chinese DRAM manufacturers make a breakthrough in the development of technologies and products, it will increase their output and may hinder our business development in China.

C. Response measures:

- (a) Continue to observe developments in US-China relations and make timely adjustments to sales strategy in response.
 - (b) Monitor the progress of new demand from customers and commence mass production in a timely manner to increase global sales capacity; actively expand customers in sales regions around the world and increase the percentage of sales accounted for by European and American markets.
 - (c) Continue to research and develop new technologies and products, actively expand the market with higher added value, and increase the proportion of revenue from the markets, to reduce the potential impact of Chinese DRAM manufacturers.
- (4) The government's energy transformation and carbon reduction policy may put pressure on the Company's operations:

A. Risk description:

- (a) Taiwan's government adopted a new energy policy to achieve a non-nuclear homeland and international carbon reduction commitment by 2025, and is thus promoting the energy transformation of Taiwan Power Company and general enterprises.
- (b) Taiwan's government may begin collecting carbon fees in 112, which might increase the Company's operating costs.

- (c) The government is expected to set carbon emission limits for each industry in 3-5 years to control total GHG emissions.

B. Impact:

- (a) During peak electricity usage in the future, if the power generators or transmission and distribution systems of Taiwan Power Company malfunction and renewable energy supply is unstable, it may result in power rationing.
- (b) When Taiwan begins to collect carbon fees in the future, the Company expects expenses to increase NT\$43~650 million each year, which will impact profits.
- (c) Additional expenses are required to purchase carbon rights when GHG emissions exceed the total limit.

C. Response measures:

- (a) To respond to and prevent the risk of power rationing, we have installed diesel fuel power generators and Dynamic Uninterruptible Power Supply (DUPS) to increase the operational resilience of our factories, and planned the following measures:
 - Set electricity saving plans and reduce overall electricity consumption.
 - Reduce electricity use for non-production purposes when there is insufficient power supply.
 - Review available space and install solar panels to generate electricity for self-use.
- (b) In response to future limits on GHG emissions, the Company began implementing the SBT project in 2022 to reduce GHG emissions.

VII. Other Important Matters: None

H. Other Special Notes

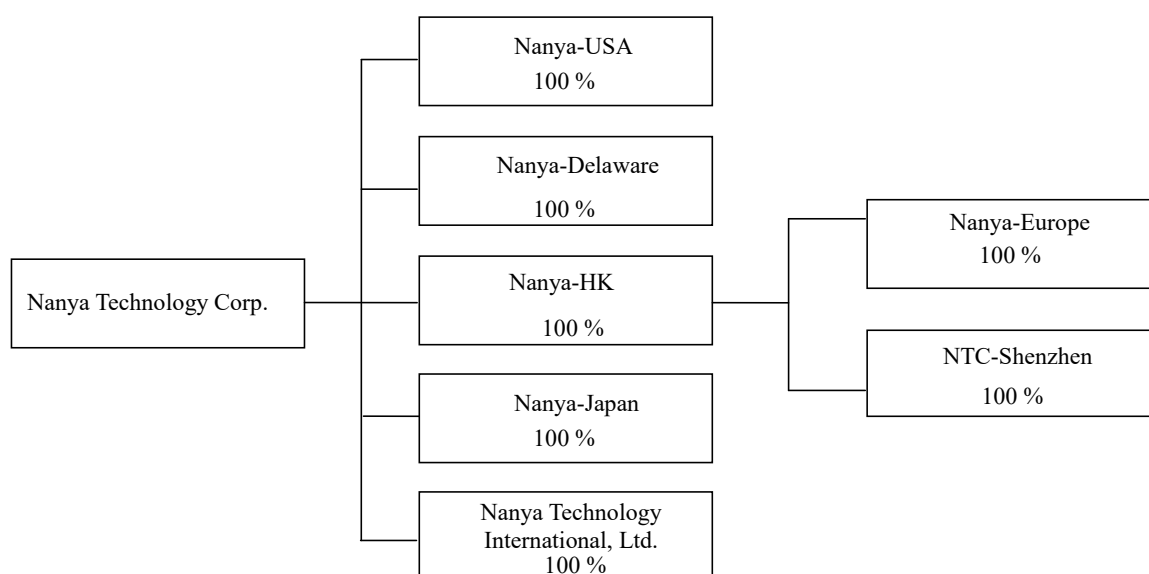
I. Profiles of affiliates and subsidiaries

(I) Consolidated Operation Report of Affiliates

1. Summary of NTC's Subsidiaries

(1) Subsidiary Chart:

December 31, 2021



(2) Subsidiary Information:

Unit: Thousands; December 31, 2021

Name of Subsidiary	Date of Incorporation	Address	Capital Stock	Business Activities
Nanya-USA	1997.04	1735 Technology Drive, Suite 400, San Jose, CA 95110	US\$ 720	Selling of semiconductor products.
Nanya-Delaware	2008.10	245 Commerce Green Blvd. #210, Sugar Land, TX 77478	US\$ 1,100	Designing of semiconductor products.
Nanya-HK	2002.04	7 th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	HKD 15,366	Selling of semiconductor products.
Nanya-Japan	2002.09	8F Moriden Building, 3-9-9 Mita, Minato-ku, Tokyo, 108-0073, Japan	JPY 70,000	Selling of semiconductor products.
Nanya-Europe	2002.09	Pempelforter Strasse 50, 40211 Duesseldorf, Germany	EUR 800	Selling of semiconductor products.
NTC-Shenzhen	2006.08	201-209, 2nd Floor, Building 2, Nanyou 4th Industrial Zone, No.1124, Nanshan Avenue, Nanguang Community, Nanshan Subdistrict, Nanshan District, Shenzhen City	US\$ 985	Selling of semiconductor products.
Nanya Technology International, Ltd.	2018.11	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$ 1,600,000	General investments

(3) Shareholders in Common of NTC and Its Subsidiary with Deemed Control and Subordination: None

(4) Businesses covered by the affiliated enterprises' overall operations

The subsidiary overall is engaged in research, development, design, manufacturing and sale of semiconductor products. NTC-USA, NTC-Japan, NTC-HK, NTC-Europe and NTC-Shenzhen those are selling semiconductor products on behalf of NTC. Nanya Technology International, Ltd. is engaged in general investments.

(5) Directors, Supervisors and Presidents of NTC's Subsidiaries

December 31, 2021

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares (Amount of contribution)	Shareholding percentage
Nanya-USA	Chairman	Pei-Ing Lee	—	—
	Director	Rex Chuang	—	—
	Director	Rex Chen	—	—
	Director	Brian Donahue	—	—
	President	Brian Donahue	—	—
			Nanya Technology Corporation holds 2,400 shares	100%
Nanya-Delaware	Chairman	Pei-Ing Lee	—	—
	Director	Chi-Meng Su	—	—
	Director	Joseph Wu	—	—
	Director	Douglas Lewellen	—	—
	President	Douglas Lewellen	—	—
			Nanya Technology Corporation holds 1 shares	100%
Nanya-HK	Director	Pei-Ing Lee	—	—
	Director	Lin-Chin Su	—	—
	Director	Rex Chen	—	—
	President	Pei-Ing Lee	—	—
			Nanya Technology Corporation holds 19,700 shares	100%
Nanya-Japan	Representative Director	Pei-Ing Lee	—	—
	Representative Director	Chin-Lu Pan	—	—
	Director	Lin-Chin Su	—	—
	Director	Joseph Wu	—	—
	Director	Rex Chen	—	—
	Supervisor	Hung-Chi Kuo	—	—
	President	Chin-Lu Pan	—	—
			Nanya Technology Corporation holds 1,000 shares	100%

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares (Amount of contribution)	Shareholding percentage
Nanya-Europe	Managing Director	Jean-Louis Freart	- (Invested EUR800,000 through Nanya-HK)	- 100%
NTC-Shenzhen	Chairman	Pei-Ing Lee	—	—
	Director	Lin-Chin Su	—	—
	Director	Rex Chen	—	—
	Supervisor	Hung-Chi Kuo	—	—
	President	Johnny Wang	— (Invested US\$985,000 through Nanya-HK)	— 100%
Nanya Technology International, Ltd.	Director	Chia Chau, Wu	—	—
	Director	Pei-Ing Lee	— Nanya Technology Corporation holds 1,600 shares	— 100%

(6) Operational Highlights of NTC's Subsidiaries:

Unit: NT\$ thousands; December 31, 2021

Name of Subsidiary	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Profit or loss for the current period (After-tax)	Earnings per share (NT\$) (NT\$; After-tax)
Nanya-USA	20,392	3,074,345	2,886,506	187,839	11,888,152	32,284	23,630	9,846
Nanya-Delaware	36,005	204,458	21,250	183,208	437,508	20,834	16,339	16,339,463
Nanya-HK	66,271	1,318,109	1,240,991	77,118	5,361,819	2,019	12,890	654
Nanya-Japan	20,161	1,082,041	836,726	245,315	6,047,080	72,277	103,773	103,773
Nanya-Europe	30,056	1,256,781	1,184,674	72,107	5,142,891	11,108	7,910	-
NTC-Shenzhen	27,275	26,399	3,375	23,024	49,031	4,305	3,889	-
Nanya Technology International, Ltd.	48,145,600	44,369,801	-	44,369,801	-	(116)	148,456	-

Note: Daily exchange rate used in the report:

- (1) Total assets, Total liabilities 1USD = NT\$27.69 ; Operating revenue, Operating income, Net income 1USD = NT\$28.0127 °
- (2) Total assets, Total liabilities 1JPY = NT\$0.2404 ; Operating revenue, Operating income, Net income 1JPY = NT\$0.2542 °
- (3) Total assets, Total liabilities 1EUR = NT\$31.3613 ; Operating revenue, Operating income, Net income 1EUR = NT\$33.0133 °
- (4) Total assets, Total liabilities 1HKD = NT\$3.5446 ; Operating revenue, Operating income, Net income 1HKD = NT\$3.5918 °
- (5) Total assets, Total liabilities 1CNY = NT\$4.3411 ; Operating revenue, Operating income, Net income 1CNY = NT\$4.3273 °

(II) Consolidated Financial Statements of Affiliated Enterprises

1. Representation Letter

Representation Letter

The entities that are required to be included in the combined financial statements of Nanya Technology Corporation as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standards No.10 by the Financial Supervisory Commission, “Consolidated and Separate Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanya Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

It is hereby declared

Company name: Nanya Technology Corporation

Chairman: Chia Chau, Wu

Date: February 24, 2022

2. Consolidated Financial Statements of Affiliated Enterprises: same as NTC’s Financial Statements.

(III) Consolidated Business Reports of Affiliated Enterprises: None

- II. Private Placement Securities in the past year and up to the date of report: None
- III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None
- IV. Other supplemental information: None
- V. Any Events in the past year and up to the date of report that Had Significant Impacts on Shareholders’ Right or Share Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None

Appendix A

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

**NANYA TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: No.98, Nanlin Rd., Dake Vil., Taishan Dist., New Taipei City, Taiwan (R.O.C.)
Telephone: (02)2904-5858

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Nanya Technology Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanya Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Nanya Technology Corporation
Chairman: JIA-ZHAO, WU
Date: February 24, 2022

**安侯建業聯合會計師事務所****KPMG**

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Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the consolidated financial statements of Nanya Technology Corporation ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2021 and 2020, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. 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.

Valuation of inventories

Please refer to Notes 4(h), 5, as well as 6(d) for details on accounting policy, judgments and major sources of estimation uncertainty, as well as disclosure on information about inventory valuation, respectively.

The Group recognizes a loss from the devaluation of inventories on a quarterly basis based on the lower of cost or net realizable value method. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the consolidated financial statements.

The principal audit procedures performed to address the aforementioned key audit matter included understanding the basis adopted by the management in the estimate of net realizable value, and sampling to test the reasonableness of the net realizable value.

Other Matter

The company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC, 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. Furthermore, 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 of the current period 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 Hui-Chih Ko and Hsin-Yi Kuo.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Nanya Technology Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 80,699,971	42	51,725,906	31	2170	Accounts payable	\$ 2,730,151	2	2,027,096	1
1170	Accounts receivable, net (Notes 6(b)(p))	11,568,536	6	7,867,928	4	2180	Accounts payable to related parties (Note 7)	119,514	-	84,678	-
1180	Accounts receivable due from related parties, net (Note 6(b)(p) and 7)	-	-	8,237	-	2200	Other payables	6,648,006	4	4,211,470	2
1200	Other receivables (Notes 6(c))	989,699	1	1,496,119	1	2220	Other payables to related parties (Note 7)	1,237,215	1	1,069,910	1
1310	Inventories (Note 6(d))	11,611,235	7	14,126,982	9	2230	Current tax liabilities	4,722,861	2	1,131,327	1
1410	Prepayments (Note 6(e))	835,419	-	559,481	-	2280	Current lease liabilities (Notes 6(j) and 7)	214,928	-	178,432	-
1470	Other current assets (Note 6(e))	754,838	-	959,948	1	2399	Other current liabilities	18,887	-	75,759	-
Total current assets		106,459,698	56	76,744,601	46	Total current liabilities		15,691,562	9	8,778,672	5
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income	11,071	-	-	-	2570	Deferred tax liabilities (Note 6(l))	28,549	-	4,042	-
1550	Investments accounted for using equity method (Note 6(f))	5,339,031	2	5,160,505	3	2580	Non-current lease liabilities (Notes 6(j) and 7)	1,509,673	1	1,617,652	1
1600	Property, plant and equipment (Notes 6(g)(v) and 7)	76,206,692	40	79,728,620	49	2640	Net defined benefit liability, non-current (Note 6(k))	641,238	-	566,283	-
1755	Right-of-use assets (Notes 6(h) and 7)	1,707,092	1	1,790,192	1	2670	Other non-current liabilities	571,773	-	853,304	1
1780	Intangible assets	1,013,517	1	1,258,380	1	Total non-current liabilities		2,751,233	1	3,041,281	2
1840	Deferred tax assets	296,088	-	353,567	-	Total liabilities		18,442,795	10	11,819,953	7
194D	Long-term financial lease payments receivable (Note 6(i))	254,305	-	483,436	-	Equity (Note 6(m)):					
1990	Other non-current assets (Note 8)	133,369	-	112,679	-	3110	Ordinary shares	30,968,749	16	30,935,939	19
Total non-current assets		84,961,165	44	88,887,379	54	3140	Advance receipts for share capital	4,508	-	36,264	-
						3200	Capital surplus	32,804,505	17	32,451,689	20
						3310	Legal reserve	14,879,816	8	14,110,871	8
						3320	Special reserve	3,011,507	2	1,041,100	1
						3350	Unappropriated retained earnings	95,425,925	49	79,394,603	48
						3400	Other equity interest	(4,116,942)	(2)	(3,011,507)	(2)
						3500	Treasury shares	-	-	(1,146,932)	(1)
						Total equity		172,978,068	90	153,812,027	93
Total assets		\$ 191,420,863	100	165,631,980	100	Total liabilities and equity		\$ 191,420,863	100	165,631,980	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Nanya Technology Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(p))	\$ 85,604,158	100	61,005,514	100
5000	Operating costs (Notes 6(d)(g)(h)(j)(k)(n)(q) and 7)	<u>(48,560,210)</u>	<u>(57)</u>	<u>(45,313,936)</u>	<u>(74)</u>
	Gross profit from operations	<u>37,043,948</u>	<u>43</u>	<u>15,691,578</u>	<u>26</u>
	Operating expenses (Notes 6(g)(h)(j)(k)(n)(q) and 7):				
6100	Selling expenses	(827,171)	(1)	(791,263)	(2)
6200	Administrative expenses	(1,530,674)	(2)	(1,327,969)	(2)
6300	Research and development expenses	<u>(7,499,780)</u>	<u>(8)</u>	<u>(5,137,872)</u>	<u>(8)</u>
	Total operating expenses	<u>(9,857,625)</u>	<u>(11)</u>	<u>(7,257,104)</u>	<u>(12)</u>
	Net operating income	<u>27,186,323</u>	<u>32</u>	<u>8,434,474</u>	<u>14</u>
	Non-operating income and expenses (Notes 6(f)(g)(i)(j)(r) and 7):				
7100	Interest income	273,852	-	681,235	1
7020	Other gains and losses, net	(190,055)	-	(578,270)	(1)
7050	Finance costs	(23,667)	-	(13,117)	-
7060	Share of profit of associates accounted for using equity method, net	<u>520,977</u>	<u>-</u>	<u>466,895</u>	<u>1</u>
	Total non-operating income and expenses	<u>581,107</u>	<u>-</u>	<u>556,743</u>	<u>1</u>
7900	Profit before tax	27,767,430	32	8,991,217	15
7950	Income tax expenses (Note 6(l))	<u>(4,918,415)</u>	<u>(6)</u>	<u>(1,305,176)</u>	<u>(2)</u>
	Profit	<u>22,849,015</u>	<u>26</u>	<u>7,686,041</u>	<u>13</u>
8300	Other comprehensive income (Note 6(k)(l)(m)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit	(92,311)	-	3,767	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(929)	-	-	-
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(16,991)	-	(14,316)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(18,648)</u>	<u>-</u>	<u>754</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(91,583)</u>	<u>-</u>	<u>(11,303)</u>	<u>-</u>
8360	Components of other comprehensive income that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(1,092,193)	(1)	(1,955,693)	(4)
8399	Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that may be reclassified to profit or loss	<u>(1,092,193)</u>	<u>(1)</u>	<u>(1,955,693)</u>	<u>(4)</u>
8300	Other comprehensive income, net	<u>(1,183,776)</u>	<u>(1)</u>	<u>(1,966,996)</u>	<u>(4)</u>
8500	Comprehensive income	<u><u>\$ 21,665,239</u></u>	<u><u>25</u></u>	<u><u>5,719,045</u></u>	<u><u>9</u></u>
	Earnings per share (Note 6(o))				
9750	Basic earnings per share	<u><u>\$ 7.40</u></u>		<u><u>2.51</u></u>	
9850	Diluted earnings per share	<u><u>\$ 7.35</u></u>		<u><u>2.49</u></u>	

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Nanya Technology Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Profit before tax	\$ 27,767,430	8,991,217
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	15,033,765	14,214,238
Amortization expense	260,025	236,477
Interest expense	23,667	13,117
Interest income	(273,852)	(681,235)
Share-based payments	313,110	58,420
Share of profit of associates accounted for using equity method	(520,977)	(466,895)
Gain or loss on disposal of property, plant and equipment	8,876	6,642
Impairment loss on non-financial assets	31,640	-
Unrealized foreign exchange gain or loss	(21,785)	70,894
Others	-	(30,748)
Total adjustments to reconcile profit	<u>14,854,469</u>	<u>13,420,910</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(3,729,591)	(579,243)
Other receivables	527,787	121,995
Inventories	2,515,747	3,995,514
Prepayments	(275,938)	(319,120)
Other current assets	205,110	436,820
Accounts payable (including related parties)	679,016	(291,755)
Other payables (including related parties)	2,670,206	(2,262,463)
Other current liabilities	(56,872)	(16,995)
Net defined benefit liability	(17,356)	(5,846)
Other non-current liabilities	(3,074)	(6,429)
Total net changes in operating assets and liabilities	<u>2,515,035</u>	<u>1,072,478</u>
Cash inflow generated from operations	45,136,934	23,484,605
Interest received	217,675	623,784
Interest paid	(23,806)	(12,770)
Income taxes paid	(1,223,342)	(1,483,582)
Net cash flows from operating activities	<u>44,107,461</u>	<u>22,612,037</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(12,000)	-
Acquisition of property, plant and equipment	(11,260,234)	(8,476,438)
Proceeds from disposal of property, plant and equipment	-	71
Increase in refundable deposits	(18,799)	(72,994)
Acquisition of intangible assets	(218,437)	(878,657)
Decrease in lease and installment receivables	264,330	264,330
Increase in other non-current assets	(10,334)	(759)
Dividends received	325,475	311,324
Net cash flows used in investing activities	<u>(10,929,999)</u>	<u>(8,853,123)</u>
Cash flows used in financing activities:		
Decrease (increase) in guarantee deposits received	(59,248)	63,246
Decrease in other payables to related parties	-	(3,450)
Payment of lease liabilities	(188,376)	(188,459)
Cash dividends paid	(4,000,000)	(4,600,000)
Exercise of employee share options	80,024	622,916
Treasury shares transferred to employees	1,107,530	-
Net cash flows used in financing activities	<u>(3,060,070)</u>	<u>(4,105,747)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,143,327)</u>	<u>(2,076,240)</u>
Net increase in cash and cash equivalents	28,974,065	7,576,927
Cash and cash equivalents at beginning of period	51,725,906	44,148,979
Cash and cash equivalents at end of period	<u><u>\$ 80,699,971</u></u>	<u><u>51,725,906</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Nanya Technology Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Nanya Technology Corporation (the “Company”) was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at No.98 Nanlin Road Dake Vil., Taishan District, New Taipei City, Taiwan. The main operating activities of the Company and its subsidiary (the “Group”) are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on February 24, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 – 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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 (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC. (hereinafter referred to IFRS as endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis.

- 1) Financial assets at fair value through other comprehensive income are measured at fair value.
- 2) The defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Group's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent 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 interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activity	Shareholding	
			December 31, 2021	December 31, 2020
The Company	NANYA TECHNOLOGY CORP. U.S.A	Sales of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. Delaware	Design of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. H.K.	Sales of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY CORP. Japan	Sales of semiconductor products	100.00%	100.00%
The Company	NANYA TECHNOLOGY INTERNATIONAL LTD.	General investment business	100.00%	100.00%
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP., Europe GmbH	Sales of semiconductor products	100.00%	100.00%
NANYA TECHNOLOGY CORP. H.K.	NANYA TECHNOLOGY CORP. Shenzhen	Sales of semiconductor products	100.00%	100.00%

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Subsidiaries not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- (i) The asset is expected to be realized, or intended to be sold or consumed, in the Group's normal operating cycle;
- (ii) The asset is held primarily for the purpose of trading;
- (iii) The asset is expected to be realized within twelve months after the reporting period; or

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- (i) The liability is expected to be settled in the normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, checks and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables (including related parties), other receivable, leases receivable and guarantee deposit paid).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for note and trade receivables due from related parties are always measured at an amount equal to lifetime ECL.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 60 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or being more than 60 days past due;
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Financial liabilities

Financial liabilities are classified at amortized cost. Foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged cancelled or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives.

Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment has an unlimited useful life and therefore are as follows:

1) buildings	25 years
2) Machinery and equipment	5~16 years
3) Other equipment	3~15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory, plants, parking lots and offices that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets, patents that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives of patent for current and comparative periods are both 5~10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from an acquisition about an investment accounted for using the equity method is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU value in use fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue recognition

Revenue from contracts with customers is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group manufactures and sells semiconductor products on the market. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(o) Employee benefit

(i) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plan

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date of a share-based payment is the date which the board of directors authorized the price and number of a share-based payments.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and,
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and employee compensation.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statement, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor its accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Judgment of whether the Group has substantive control over its investees

The Group holds 32% of the voting shares of Formosa Advanced Technologies Co., Ltd (FATC), whose shareholders hold 68% of its remaining shares, where 31% of the voting rights are concentrated in a specific shareholder, Formosa Taffeta Co. Ltd., resulting in the Group for failing to obtain more than half of the total number of FATC' s directors and voting rights at a shareholders' meeting. Therefore, it is determined that the Group has only significant influence over FATC.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for details of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Petty cash	\$ 83	108
Checking accounts and demand deposit	18,412,267	14,820,415
Cash equivalents:		
Time deposits	58,098,552	34,398,887
Commercial paper	2,378,765	2,014,416
Repurchase agreements collateralized by corporate bonds	1,810,304	492,080
	<u>\$ 80,699,971</u>	<u>51,725,906</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Refer to Note 6(s) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable- measured at amortized cost	\$ 11,568,536	7,867,928
Accounts receivable- related parties	-	8,237
	<u><u>\$ 11,568,536</u></u>	<u><u>7,876,165</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for accounts receivables (including related parties). To measure the expected credit losses, accounts receivables (including related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision for account receivable (including related parties) was determined as follows:

December 31, 2021			
Due days	Accounts receivables (including related parties) gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 11,384,699	-	-
1 to 30 days past due	183,837	-	-
	<u><u>\$ 11,568,536</u></u>		<u><u>-</u></u>
December 31, 2020			
Due days	Accounts receivables (including related parties) gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 7,825,234	-	-
1 to 30 days past due	50,931	-	-
	<u><u>\$ 7,876,165</u></u>		<u><u>-</u></u>

The Group did not recognize any allowance for impairment as there were no uncollected accounts receivable (including related parties) that were past due as of December 31, 2021 and 2020.

Please refer to Note 6(s) for other information of credit risk.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Other receivables

	December 31, 2021	December 31, 2020
Tax refund receivable	\$ 681,008	1,231,318
Lease payment receivable	229,131	206,462
Interest receivable	28,029	29,732
Others	51,531	28,607
	<u>\$ 989,699</u>	<u>1,496,119</u>

Please refer to Note 6(s) for other information of credit risk.

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 641,996	350,906
Work in progress	7,364,481	6,578,665
Finished goods	3,604,758	7,197,411
	<u>\$ 11,611,235</u>	<u>14,126,982</u>

The Group recognized cost of goods sold amounting to \$48,183,263 and \$44,906,712 for the years ended December 31, 2021 and 2020, respectively. The Group did not recognize any loss or gain from devaluation of inventories as there was no indication of impairment or net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved on inventories for the years ended December 31, 2021 and 2020.

(e) Prepayments and other current assets

(i) Prepayments

	December 31, 2021	December 31, 2020
Prepaid expense	\$ 817,713	556,428
Prepayments to purchases	17,706	3,053
	<u>\$ 835,419</u>	<u>559,481</u>

(ii) Other current assets

	December 31, 2021	December 31, 2020
Project consumables	\$ 513,850	676,200
Suppliers	240,988	283,748
	<u>\$ 754,838</u>	<u>959,948</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

	December 31, 2021	December 31, 2020
Associates	<u>\$ 5,339,031</u>	<u>5,160,505</u>

The related information of the major associate to the Group was as follows:

Name of Associates	Nature of Relationship to the Group	Registration Country	Percentage of ownership	
			December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd. (FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	32.00%	32.00%

The fair value of major associates listed on the Stock Exchange was as follows:

	December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd.	<u>\$ 17,290,889</u>	<u>16,716,000</u>

The aggregated financial information of the major associate was as follows:

The financial information of FATC was as follows:

	December 31, 2021	December 31, 2020
Current assets	\$ 9,538,767	7,816,528
Non-current assets	4,693,324	5,792,482
Current liabilities	(1,402,448)	(1,238,254)
Non-current liabilities	(527,629)	(555,589)
Net asset	<u>\$ 12,302,014</u>	<u>11,815,167</u>
Net asset contributed to FATC	<u>\$ 12,302,014</u>	<u>11,815,167</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the year ended December 31,	
	2021	2020
Operating revenue	<u>\$ 9,939,192</u>	<u>9,706,776</u>
Profit	\$ 1,557,008	1,402,677
Other comprehensive loss	(53,098)	(44,738)
Total comprehensive income	<u>\$ 1,503,910</u>	<u>1,357,939</u>
Total comprehensive income contributed to FATC	<u>\$ 1,503,910</u>	<u>1,357,939</u>

	For the year ended December 31,	
	2021	2020
Share of net assets of the major associate at January 1	\$ 3,780,854	3,657,624
Total comprehensive income contributed to the Group	481,251	434,540
Uncollected dividends beyond the collection period which are reclassified to capital surplus	15	14
Cash dividends contributed to the Group	<u>(325,475)</u>	<u>(311,324)</u>
Share of net assets of major associate at December 31	3,936,645	3,780,854
Add: good will	1,463,162	1,463,162
Less: unrealized profits on upstream sales net assets of the associates	<u>(60,776)</u>	<u>(83,511)</u>
Total carrying amount of the major associate	<u>\$ 5,339,031</u>	<u>5,160,505</u>

(g) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2021	\$ 1,013,924	8,144,863	199,055,350	836,742	6,371,857	215,422,736
Additions	-	8,420	829,464	51,411	10,463,480	11,352,775
Disposals	-	-	(305,737)	(11,542)	-	(317,279)
Reclassification	-	132,594	8,234,030	21,614	(8,388,238)	-
Effect of exchange rate change	-	(223)	(2,145)	(917)	-	(3,285)
Balance as of December 31, 2021	<u>\$ 1,013,924</u>	<u>8,285,654</u>	<u>207,810,962</u>	<u>897,308</u>	<u>8,447,099</u>	<u>226,454,947</u>
Balance as of January 1, 2020	\$ 1,013,924	8,157,551	195,903,720	919,015	2,249,124	208,243,334
Additions	-	-	872,893	62,119	7,429,580	8,364,592
Disposals	-	(12,660)	(846,932)	(154,494)	-	(1,014,086)
Reclassification	-	-	3,127,446	10,808	(3,306,847)	(168,593)
Effect of exchange rate change	-	(28)	(1,777)	(706)	-	(2,511)
Balance as of December 31, 2020	<u>\$ 1,013,924</u>	<u>8,144,863</u>	<u>199,055,350</u>	<u>836,742</u>	<u>6,371,857</u>	<u>215,422,736</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Accumulated depreciation / impairment:						
Balance as of January 1, 2021	\$ -	2,609,251	132,426,497	658,368	-	135,694,116
Depreciation for the period	-	322,966	14,451,282	59,177	-	14,833,425
Impairment loss	-	-	31,640	-	-	31,640
Disposals	-	-	(296,890)	(11,513)	-	(308,403)
Reclassification	-	-	(11,908)	11,908	-	-
Effect of exchange rate change	-	(196)	(1,740)	(587)	-	(2,523)
Balance as of December 31, 2021	\$ -	2,932,021	146,598,881	717,353	-	150,248,255
Balance as of January 1, 2020	\$ -	2,295,380	119,651,185	766,657	-	122,713,222
Depreciation for the period	-	319,859	13,653,945	47,127	-	14,020,931
Disposals	-	(5,965)	(846,914)	(154,494)	-	(1,007,373)
Reclassification	-	-	(30,696)	(802)	-	(31,498)
Effect of exchange rate change	-	(23)	(1,023)	(120)	-	(1,166)
Balance as of December 31, 2020	\$ -	2,609,251	132,426,497	658,368	-	135,694,116
Balance as of December 31, 2021	\$ 1,013,924	5,353,633	61,212,081	179,955	8,447,099	76,206,692
Balance as of December 31, 2020	\$ 1,013,924	5,535,612	66,628,853	178,374	6,371,857	79,728,620

The estimated future recoverable amount of equipment, which had been identified to be no longer useful for its operation, is lower than the book value. In 2021, the Group reassessed its estimates, wherein the amount of \$31,640 of the impairment loss has been recognized.

(h) Right-of-use assets

	Land	Building	Total
Cost :			
Balance at January 1, 2021	\$ 1,884,277	-	1,884,277
Additions	109,059	8,181	117,240
Balance at December 31, 2021	\$ 1,993,336	8,181	2,001,517
Balance at January 1, 2020	\$ 297,829	-	297,829
Additions	1,884,277	-	1,884,277
Decrease	(297,829)	-	(297,829)
Balance at December 31, 2020	\$ 1,884,277	-	1,884,277
Accumulated depreciation:			
Balance at January 1, 2021	\$ 94,085	-	94,085
Depreciation for the period	198,908	1,432	200,340
Balance at December 31, 2021	\$ 292,993	1,432	294,425
Balance at January 1, 2020	\$ 198,607	-	198,607
Depreciation for the period	193,307	-	193,307
Decrease	(297,829)	-	(297,829)
Balance at December 31, 2020	\$ 94,085	-	94,085
Carrying Amount:			
Balance at December 31, 2021	\$ 1,700,343	6,749	1,707,092
Balance at December 31, 2020	\$ 1,790,192	-	1,790,192

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Lease receivables

- (i) On June 18, 2009, the Group signed an amended long-term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") on the lease of building, facilities and land located on 348, 348-1 and 348-3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However, MTTW is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. MTTW has completed the renewal of its lease agreement, with a written notice on December 13, 2018. In addition, MTTW has an exclusive option to purchase the leased assets (including land, building and its facilities) for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the leased land was USD1,990 thousand and leased building (including facilities) was USD 13,010 thousand from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased land is USD1,990 thousand and building (including facilities) is USD8,010 thousand from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased land will be USD1,990 thousand and building (including facilities) will be USD10 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.
- (ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620 thousand; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the years ended December 31, 2021 and 2020, the Group recognized the interest revenue of \$57,880 and \$78,316, respectively, from the amortization of unrealized interest revenue.

A maturity analysis of lease receivables, showing the undiscounted lease receivables to be received after the reporting date is as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 264,330	264,330
One to two years	264,330	264,330
Two to three years	-	264,330
Total lease payments receivable	528,660	792,990
Unearned finance income	(45,224)	(103,104)
Present value of lease payments receivable	<u>\$ 483,436</u>	<u>689,886</u>

For credit risk information, please refer to Note 6(s).

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Lease liabilities

	December 31, 2021	December 31, 2020
Current	\$ 214,928	178,432
Non-current	\$ 1,509,673	1,617,652

For the maturity analysis, please refer to Note 6(s).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31 2021	2020
Interest on lease liabilities	\$ 23,653	12,833
Expenses relating to short-term leases	\$ 94,109	91,718

The amount recognized in the statement of cash flows of the Group was as follows:

	For the years ended December 31, 2021	2020
Total cash outflow for leases	\$ 306,217	292,122

(i) Land lease

The Group leases its land and building with a period of 2 to 10 years. The lease included an option to terminate the contract, which is exercisable only by the Group and not by the lessors. The lease payment changes annually based on a local price index.

(ii) Other leases

The Group leases staff dorm, factory, parking lots and office spaces which are short-term leases. The Group applied the recognition exemptions and elected not to recognize its right-of-use assets and lease liabilities for these leases.

(k) Employee benefits

(i) Defined benefit plan

The movements in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 1,181,856	1,108,808
Fair value of plan assets	(540,618)	(542,525)
Net defined benefit liabilities	\$ 641,238	566,283

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group has established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement according to the R.O.C. Labor Standards Law.

1) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Group's pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income, but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2021, the Group's pension fund with Bank of Taiwan amounted to \$540,618. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

	For the years ended December 31,	
	2021	2020
Defined benefit obligation as of January 1,	\$ 1,108,808	1,098,174
Current service and interest costs	14,958	15,266
Remeasurement of net defined benefit liabilities		
— actuarial losses arising from change in financial assumptions	97,477	14,987
Reclassification of liabilities from transfer of employees	(2,406)	(869)
Benefits paid	(36,981)	(18,750)
Defined benefit obligation as of December 31,	\$ 1,181,856	1,108,808

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2021	2020
Fair value of plan assets as of January 1,	\$ 542,525	522,278
Interest income	5,472	5,298
Remeasurement of net defined liabilities		
— return on plan assets (excluding interest income)	5,166	18,754
Contributions from employer	15,100	14,711
Benefits already paid by the plan	(27,645)	(18,516)
Fair value of plan assets as of December 31,	\$ 540,618	542,525

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current service costs	\$ 3,894	4,284
Net interest income of net defined benefit liabilities	11,063	10,982
Expected rate of return for the plan asset	(5,472)	(5,298)
	\$ 9,485	9,968
Operating costs	\$ 5,633	6,145
Operating expenses	3,852	3,823
	\$ 9,485	9,968

5) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

	For the years ended December 31,	
	2021	2020
Balance of January 1,	\$ 54,299	57,312
Recognized during the period	73,849	(3,013)
Balance of December 31,	\$ 128,148	54,299

6) Actuarial assumptions

	December 31, 2021	December 31, 2020
Discount rate	0.50%	1.00%
Future salary increases	2.85%	2.85%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2021 is \$19,152.

The weighted average duration of the defined benefit plan is 14.3 years.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7) Sensitivity analysis

	Effect of defined benefit obligations	
	Increase Amount	Decrease Amount
December 31, 2021		
Discount rate (change 0.25%)	\$ 36,521	(35,056)
Future salaries (change 1%)	151,571	(131,565)
December 31, 2020		
Discount rate (change 0.25%)	37,838	(36,221)
Future salaries (change 1%)	159,749	(136,769)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The same methods and assumptions are adopted in the preparation of sensitivity analysis as in previous year.

(ii) Defined contribution plan

The Taiwanese companies of the Group contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Group is not required to bear the regulated or putative obligation subsequent to the payment of fixed rate contribution.

The overseas companies of the Group contribute an appropriate pension amount to the designated account of the local government in accordance with the statutory laws, under which, the Group is not required to bear the regulated or putative obligation subsequent to the payment of fixed rate contribution.

The Group's pension costs under the contribution pension plan amounted to \$181,830 and \$174,957 for the years ended 2021 and 2020, respectively.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Income tax

(i) The Group's income tax expenses recognized were as follows:

	For the year ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 5,395,969	1,413,672
Adjustment for prior periods	(648,113)	(588,184)
Surtax on undistributed earnings	47,505	171,974
Taxes on remitted earnings from subsidiary	22,524	103,526
Deferred tax expense	100,530	204,188
Tax expense	<u>\$ 4,918,415</u>	<u>1,305,176</u>

The Group's income tax gains(loss) recognize directly in other comprehensive income were as follows:

	For the year ended December 31,	
	2021	2020
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	\$ (18,462)	754
Unrealized gains on equity investments at fair value through other comprehensive income	(186)	-
	<u>\$ (18,648)</u>	<u>754</u>

Reconciliation of income tax expense and profit before tax were as follows:

	For the years ended December 31,	
	2021	2020
Income tax calculated based on local tax rate	\$ 5,614,504	1,913,649
Effect of foreign tax rate change	2,095	(103,779)
Tax effect of permanent differences	(136,829)	(192,462)
Change in unrecognized temporary difference	17,851	(1,609)
Tax effect of unrecognized current year loss carryforward	-	3,159
Adjustment for prior periods	(648,113)	(588,184)
Surtax on undistributed earnings	47,505	171,974
Taxes on remitted earnings from subsidiary	22,524	103,526
Other	(1,122)	(1,098)
Total	<u>\$ 4,918,415</u>	<u>1,305,176</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

Deferred tax assets :

	Impairment loss of assets	Improvements cost of environmental safety and factory facilities	Others	Total
Balance as of January 1, 2021	\$ 124,224	134,247	95,096	353,567
Recognized in loss	(24,090)	(31,371)	(20,446)	(75,907)
Recognized in other comprehensive income	-	-	18,648	18,648
Exchange differences on translation of foreign financial statements	-	-	(220)	(220)
Balance as of December 31, 2021	\$ 100,134	102,876	93,078	296,088
Balance as of January 1, 2020	\$ 155,102	165,032	235,751	555,885
Recognized in loss	(30,878)	(30,785)	(139,507)	(201,170)
Recognized in other comprehensive income	-	-	(754)	(754)
Exchange differences on translation of foreign financial statements	-	-	(394)	(394)
Balance as of December 31, 2020	\$ 124,224	134,247	95,096	353,567

Deferred tax liabilities :

	Unrealized gains (losses) on exchange
Balance as of January 1, 2021	\$ 4,042
Recognized in loss	24,621
Exchange differences on translation of foreign financial statements	(114)
Balance as of December 31, 2021	\$ 28,549
Balance as of January 1, 2020	\$ 1,197
Recognized in loss	3,018
Exchange differences on translation of foreign financial statements	(173)
Balance as of December 31, 2020	\$ 4,042

(iii) The Company's tax returns have been examined by the ROC tax authority through 2019.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Capital and other equity

As of December 31, 2021 and 2020, the Company's government registered total authorized capital both amounted to \$300,000,000 with \$10 dollars par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to \$30,968,749 and \$30,935,939, respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended 2021 and 2020 were as follows:

(in thousand shares)

	Ordinary Shares	
	2021	2020
Balance as of January 1,	3,093,594	3,073,365
Exercise of employees share options	3,928	20,229
Retirement of treasury shares	(647)	-
Balance as of December 31,	3,096,875	3,093,594

(i) Ordinary Share

On February 26, May 5, August 4 and November 3, 2021, the Company's Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 2,841 thousand, 577 thousand, 72 thousand and 438 thousand ordinary shares at par value, with the issuing prices of \$28.5 to \$29.6, \$28.5, \$28.5 to \$29.6 and \$28.0 dollars per share, which totaled \$39,280. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2021, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 161 thousand ordinary shares, at issuing prices of \$28.0 dollars per share, which totaled \$4,508, which was recognized as advance receipts for share capital as of December 31, 2021.

On February 26, May 6, August 6 and November 4, 2020 the Company's Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 632 thousand, 664 thousand, 17,951 thousand and 982 thousand ordinary shares at par value, with the issuing prices of \$29.2, \$29.2 \$28.5 to \$29.2 and \$28.5 to \$29.6 dollars per share, which totaled \$202,290. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2019, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 1,271 thousand ordinary shares at issuing prices of \$28.5 to \$29.6 dollars per share, which totaled \$36,264, which was recognized as advance receipts for share capital as of December 31, 2020.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Premium from the issuance of stock	\$ 29,470,846	29,398,346
Treasury share transactions	274,385	-
Employee stock option plans	2,790,727	2,790,727
Expired employee share option plans	268,292	262,499
Past due unclaimed dividends	202	79
Change in net equity of associates accounted for using equity method	53	38
	<u><u>\$ 32,804,505</u></u>	<u><u>32,451,689</u></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the paid-up capital.

(iii) Retain earning

According to the Company's Articles of Incorporation, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof until the accumulated balance of legal reserve equals the total issued capital and any special reserves pursuant to relevant laws and regulations. The remainder, plus the undistributed earnings of the previous years, are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the annual stockholders' meeting.

As it belongs to a highly capital-intensive industry with strong growth potential, the Company adopts a dividend distribution policy which is in line with its plans for product line expansion and the demand of fund. This policy requires that the distribution of cash dividends shall not exceed 50% of the Company's total dividend distribution every year.

1) Legal reserve

When the Group incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Special Reserve

In accordance with Ruling issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2020 and 2019 were approved by the general meetings of shareholders held on August 4, 2021 and May 28, 2020, respectively. The relevant dividends distributions to shareholders were as follows:

		For the year ended December 31, 2020	
		Dividends per share	Amount
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	1.30	<u><u>4,000,000</u></u>
		For the year ended December 31, 2019	
		Dividends per share	Amount
Dividends attributable to ordinary shareholders:			
Cash dividends	\$	1.50	<u><u>4,600,000</u></u>

(iv) Treasury shares

The Company repurchased shares from the securities exchange market based on section 28(2) of the Securities and Exchange Act and the movement in treasury shares were as follows.

		Reasons for repurchase of shares	
		Transferring to employees	
		thousand shares	Amount
Balance as of January 1, 2021		20,000	\$ 1,146,932
Transferring for the period		(19,353)	(1,109,829)
Retirement for the period		(647)	(37,103)
Balance as of December 31, 2021		-	\$ -
Balance as of January 1, 2020 (Balance as of December 31, 2020)		<u><u>20,000</u></u>	<u><u>\$ 1,146,932</u></u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On November 3, 2021, the Company's Board of Directors approved to retire 647 thousand treasury shares, resulting in a decrease in ordinary shares amounting to \$6,470. The Company recognized the decrease in capital surplus of \$30,633, on November 29, 2021 as the capital reduction, due to the book value being higher than the par value of the treasury shares. The related process for registration had been completed.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized loss on financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2021	\$ (2,893,732)	(117,775)	(3,011,507)
Exchange differences on translation of foreign financial statements	(1,092,193)	-	(1,092,193)
Unrealized losses from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(12,499)	(12,499)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(743)	(743)
Balance as of December 31, 2021	<u>\$ (3,985,925)</u>	<u>(131,017)</u>	<u>(4,116,942)</u>
Balance as of January 1, 2020	\$ (938,039)	(103,061)	(1,041,100)
Exchange differences on translation of foreign financial statements	(1,955,693)	-	(1,955,693)
Unrealized loss from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(14,714)	(14,714)
Balance as of December 31, 2020	<u>\$ (2,893,732)</u>	<u>(117,775)</u>	<u>(3,011,507)</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(n) Share-based payment transactions

As of December 31, 2021, the Company had 6 share-based payment arrangements as follows:

	The 8 th batch of Employee Stock Option Plan	The 9 th batch of Employee Stock Option Plan	The 1 th batch of Treasury Shares Transferred to Employees	The 2 th batch of Treasury Shares Transferred to Employees	The 3 th batch of Treasury Shares Transferred to Employees	The 4 th batch of Treasury Shares Transferred to Employees
Grant date	2016.5.10	2016.8.11	2021.1.15	2021.2.2	2021.8.12	2021.10.22
Grant unit	97,500	2,500	3,936	4,064	5,587	6,413
Exercise price (dollar) (Notes 1~6)	38.0	36.6	57.4	57.4	57.4	57.4
Deal period	8 years	8 years	-	-	-	-
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Immediately vested	Immediately vested	Immediately vested	Immediately vested

Note 1: The Company approved to distribute its cash dividends in 2016. As a result, the exercise price of the 8th batch of the employee stock option plan were adjusted to \$35.3 dollars, in accordance with the offering and exercising terms and conditions of ESOP.

Note 2: The Company approved to distribute its cash dividends in 2017. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$34.3 dollars and \$35.5 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 3: The Company approved to distribute its cash dividends in 2018. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$33.1 dollars and \$34.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 4: The Company approved to distribute its cash dividends in 2019. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$29.2 dollars and \$30.3 dollars, respectively in accordance with the offering and exercising terms and conditions of ESOP.

Note 5: The Company approved to distribute its cash dividends in 2020. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$28.5 dollars and \$29.6 dollars, respectively in accordance with the offering and exercising terms and conditions of ESOP.

Note 6: The Company approved to distribute its cash dividends in 2021. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$28.0 dollars and \$29.1 dollars, respectively in accordance with the offering and exercising terms and conditions of ESOP.

(i) Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	The 8 th batch of Employee Stock Option Plan	The 9 th batch of Employee Stock Option Plan	The 1 th batch of Treasury Shares Transferred to Employees	The 2 th batch of Treasury Shares Transferred to Employees	The 3 th batch of Treasury Shares Transferred to Employees	The 4 th batch of Treasury Shares Transferred to Employees
Dividend rate	- %	- %	- %	- %	- %	- %
Expected volatility	55.47%	45.80%	48.33%	50.77%	40.01%	34.15%
Risk-free rate	0.5728%	0.529%	0.1690%	0.0950%	0.1090%	0.2040%
Fair value of unit stock option (dollar)	\$ 18.77	15.30	28.80	29.50	9.00	5.00

Expected volatility is based on weighted average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. Expected dividend and risk-free rate is determined based on government bonds.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Relevant information of employee stock option plans and the transfer of treasury stock

	For the years ended December 31,			
	2021		2020	
	Weighted-average exercise price (TWD)	Number of options (Units)	Weighted-average exercise price (TWD)	Number of options (Units)
Outstanding as of January 1,	\$ 28.51	4,462	29.22	28,202
Options granted	57.40	20,000	-	-
Options exercised	53.66	(22,171)	28.52	(21,381)
Options forfeited	28.51	(13)	28.55	(2,359)
Options expired	56.79	(647)	-	-
Outstanding as of December 31,	28.02	<u>1,631</u>	28.51	<u>4,462</u>
Options exercisable as of December 31,	28.02	<u>1,631</u>	28.51	<u>4,462</u>

Further details of the outstanding stock options of the Company as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Range of exercise price (dollar)	28.0~29.1	28.5~29.6
Weighted average of remaining option plan period (year)	2.35~2.61	3.35~3.61

(iii) Compensation cost

	For the years ended December 31,	
	2021	2020
Compensation cost arising from share options granted to employees	\$ -	58,420
Compensation cost arising from treasury shares transferred to employees	313,110	-
	<u>\$ 313,110</u>	<u>58,420</u>

(o) Earnings per share

	For the years ended December 31,	
	2021	2020
Basic earnings per share:		
Net profit attributable to the Company's ordinary shareholders	<u>\$ 22,849,015</u>	<u>7,686,401</u>
Weighted-average number of ordinary shares outstanding	3,087,329	3,065,482
Basic earnings per share (dollar)	<u>\$ 7.40</u>	<u>2.51</u>
Diluted earnings per share:		
Net profit attributable to the Company's ordinary shareholders (basic and diluted)	<u>\$ 22,849,015</u>	<u>7,686,041</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the years ended December 31,	
	2021	2020
Effect of dilutive potential ordinary shares		
Weighted-average number of ordinary shares (basic)	3,087,329	3,065,482
Effect of employee share option	1,451	8,474
Effect of employee remuneration	20,798	8,408
Weighted-average number of ordinary shares (diluted)	3,109,578	3,082,364
Diluted earnings per share (dollar)	\$ 7.35	2.49

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 2021		
	Manufacturing department	Overseas sales department	Total
Geographic markets of primary destination:			
Taiwan	\$ 28,692,474	1,435,419	30,127,893
Japan	-	3,360,478	3,360,478
Malaysia	422,605	1,860,487	2,283,092
Korea	122,288	401,656	523,944
China	31,030,619	8,474,191	39,504,810
USA	117,981	1,028,274	1,146,255
Thailand	1,065,427	2,294,810	3,360,237
Germany	-	1,140,077	1,140,077
Vietnam	23,994	438,226	462,220
Singapore	425,232	415,621	840,853
Other countries	459,241	2,395,058	2,854,299
	\$ 62,359,861	23,244,297	85,604,158
Major products line:			
Dynamic Random Access Memory (DRAM)	\$ 62,231,250	23,243,288	85,474,538
Others	128,611	1,009	129,620
	\$ 62,359,861	23,244,297	85,604,158

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the years ended December 31, 2020		
	Manufacturing department	Overseas sales department	Total
Geographic markets of primary destination:			
Taiwan	\$ 18,120,076	1,746,814	19,866,890
Japan	-	1,512,613	1,512,613
Malaysia	322,911	1,190,737	1,513,648
Korea	78,949	410,401	489,350
China	25,283,420	6,919,169	32,202,589
USA	51,618	496,534	548,152
Thailand	486,818	1,155,251	1,642,069
Germany	-	552,366	552,366
Vietnam	61,422	528,538	589,960
Singapore	243,569	283,916	527,485
Other countries	227,270	1,333,122	1,560,392
	\$ 44,876,053	16,129,461	61,005,514
Major products line:			
Dynamic Random Access Memory (DRAM)	\$ 44,737,923	16,128,397	60,866,320
Others	138,130	1,064	139,194
	\$ 44,876,053	16,129,461	61,005,514

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable -related parties from non-operating activities	\$ -	-	41,545
Accounts receivable (including related parties)	11,568,536	7,876,165	7,291,735
Total	\$ 11,568,536	7,876,165	7,333,280

For details on accounts receivable (including related parties), and loss allowance for impairment, please refer to note 6(b).

(q) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above-mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to \$1,550,000 and \$600,000 for the years ended 2021 and 2020 respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a change in accounting estimates and recognized through profit or loss in the following year. Related information would be available at the Market Observation Post System website.

There is no difference between the estimated amounts of employee remuneration for the year ended December 31, 2021 and 2020, and the financial statements for the year ended December 31, 2021 and 2020, which were approved by the Company's Board of Directors.

(r) Non-operating income and expenses

(i) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits and short-term notes	\$ 215,972	602,919
Interest income from financial lease receivables	57,880	78,316
	\$ 273,852	681,235

(ii) Other gains and losses

	2021	2020
Withholding tax refund	\$ 45,528	-
Losses on disposal of property, plant and equipment	(8,876)	(6,642)
Foreign exchange losses	(323,267)	(754,936)
Impairment loss on non-financial assets	(31,640)	-
Others	128,200	183,308
	\$ (190,055)	(578,270)

(iii) Finance costs

	2021	2020
Amortization Interest of lease liability	\$ 23,653	12,833
Financing from other related parties	-	94
Others	14	190
	\$ 23,667	13,117

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

2) Concentration of credit risk

The majority of the Group's customers are mostly those in the high-tech industry. In order to reduce accounts receivable credit risk, the Group continuously assesses the financial condition of its customers. If it is necessary, the Group will ask for guarantees or warranties. The Group still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management's evaluation of the overall amounts of bad debts.

As of December 31, 2021 and 2020, the Group's major customers consisted of four and five customers which accounted for 41.06% and 45.83%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risk of receivables

For credit risk exposure of accounts receivables (including related parties), please refer to note 6(b).

Other financial assets at amortized cost includes other receivables, time deposits and refundable deposits.

Considering that the Group deals only with other external parties with good credit standing and with the above investment grade financial institutions, all of the above financial assets are considered to have low credit risk.

As of December 31, 2021 and 2020, no allowance for impairment was provided because there was no indication of credit-impaired for the 12-month ECL or lifetime ECL allowance for other financial assets measured at amortized cost.

(ii) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 2,849,665	2,849,665	2,849,665	-	-	-	-
Other payables (including related parties)	7,885,221	7,885,221	7,885,221	-	-	-	-
Lease liabilities (including current portion)	1,724,601	1,822,315	118,330	118,330	236,536	636,911	712,208
	\$ 12,459,487	12,557,201	10,853,216	118,330	236,536	636,911	712,208

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 2,111,774	2,111,774	2,111,774	-	-	-	-
Other payables (including related parties)	5,281,380	5,281,380	5,281,380	-	-	-	-
Lease liabilities (including current portion)	1,796,084	1,914,405	100,758	100,758	20,156	604,549	906,824
	\$ 9,189,238	9,307,559	7,493,912	100,758	20,156	604,549	906,824

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Exchange rate (dollars)	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	\$ 878,053	27.690	24,313,288	299,515	28.508	8,538,574
JPY	2,385,202	0.2404	573,403	770,896	0.2724	209,992
EUR	113	31.3613	3,544	42	34.5600	1,452
HKD	1,012	3.5446	3,587	1,379	3.6257	5,000
Financial liabilities:						
Monetary items						
USD	\$ 133,898	27.690	3,707,636	115,140	28.508	3,282,411
JPY	1,046,703	0.2404	251,627	1,272,668	0.2724	346,675
EUR	9,066	31.3613	284,322	150	34.5600	5,184

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, accounts payable (including related parties) and other payable (including related parties) which are denominated in different foreign currencies. A 1% appreciation and depreciation of the TWD against the USD, JPY, EUR and HKD as of December 31, 2021 and 2020 would have decreased and increased the net income before tax by \$206,502 and \$51,207 for the years ended December 31, 2021 and 2020, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange loss (including realized and unrealized portions) amounted to \$323,267 and \$754,936, respectively.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,	
	2021	2020
Prices of securities at the reporting date	Other comprehensive income after tax	Other comprehensive income after tax
Increase 1%	\$ 89	-
Decrease 1%	(89)	-

(v) Fair value information

1) Types and fair value of financial instruments

The Group's financial assets measured at fair value through other comprehensive income was measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities (including the information on fair value hierarchy; but excluding financial instruments were not measured at fair value whose carrying amount were reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required) were as follows:

	December 31, 2021				
	Fair Value				Total
	Book Value	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income:					
Equity instruments without an market price measured at fair value	\$ 11,071	-	-	11,071	11,071
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 80,699,971	-	-	-	-
Accounts receivable	11,568,536	-	-	-	-
Other receivables	760,568	-	-	-	-
Lease payments receivable (including current portion)	483,436	-	-	-	-
Subtotal	<u>\$ 93,512,511</u>	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 2,849,665	-	-	-	-
Other payables (including related parties)	7,885,221	-	-	-	-
Lease liabilities (including current portion)	1,724,601	-	-	-	-
Total	<u>\$ 12,459,487</u>	-	-	-	-

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 51,725,906	-	-	-	-
Accounts receivable (including related parties)	7,876,165	-	-	-	-
Other receivables	1,289,669	-	-	-	-
Lease payments receivable (including current position)	689,886	-	-	-	-
Total	<u>\$ 61,581,626</u>	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 2,111,774	-	-	-	-
Other payables (including related parties)	5,281,380	-	-	-	-
Lease liabilities (including current portion)	1,796,084	-	-	-	-
Total	<u>\$ 9,189,238</u>	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

The category and attribute of the Group's financial instruments without an active market were as follows:

- Equity instruments without an active market price: Measurements of fair value of financial instruments without an active market price are calculated using the net asset value method, which is measured according to the main assumption based on the equity value of the investee's net asset. The estimation has already been adjusted in accordance with the discount on the lack of marketability of the equity stock

3) Transfer between levels

For the years ended December 31, 2021 and 2020, there was no transfer from financial assets.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance as of January 1, 2021	\$ -
Purchased	12,000
Total losses recognized in other comprehensive income	(929)
Balance as of December 31, 2021	<u>\$ 11,071</u>
Balances as of January 1, 2020 (and December 31, 2020)	<u>\$ -</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020, total losses that were included in “unrealized losses from existing financial assets at fair value through other comprehensive income” were as follows:

	2021	2020
Total losses recognized in other comprehensive income, and presented in “unrealized losses from financial assets at fair value through other comprehensive income”	<u>\$ (743)</u>	<u>-</u>

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value “fair value through other comprehensive income – equity investments”.

The Group’s investment in equity instruments without an active market have only one significant unobservable input.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Asset method	<ul style="list-style-type: none"> • Net asset value • The discount rate due to lack of marketability as of December 31, 2021 was 5% 	<ul style="list-style-type: none"> • The higher the discount for lack of marketability, the lower the fair value.

- 6) Fair value measurement in Level 3 - sensitivity analysis of the possible alternative assumptions

The valuation models and assumptions used to measure the fair value of the financial instruments is reasonable. However, the use of different valuation models or assumptions may result in different measurements. The effects of changes in assumptions for financial instruments, whose fair value measurements were categorized as Level 3, were as follows:

			Effects of changes in fair value on other comprehensive income	
			Increase or decrease	
			Favorable change	Unfavorable change
December 31, 2021				
Financial assets at fair value through other comprehensive income equity investments without an active market	Discount for lack of marketability	1%	117	(117)

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(t) Financial risk management

(i) Nature and extent

The Group has the following exposure risks for holding certain financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following further discloses detailed information about exposure risk arising from the aforementioned risks and the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these exposure risks, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Framework of risk management

The Group's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks being faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, bank deposits and investments.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Group; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and other investments. Major components of this impairment allowance are specific loss component that is related to individually significant exposure and collective loss component where the loss is incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Considering that the Company deals only with banks and other external parties with good credit standing and with above investment grade financial institutions, corporate and partnership organization and government agencies, management is not expecting non-compliance issues and significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2021 and 2020, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, the Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalents, securities with high liquidity and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the consolidated Group's reputation.

The Group has unused bank facilities for \$23,192,000 and \$20,072,000 as of December 31, 2021 and 2020.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives in order to reduce market risks. All these transactions are made in accordance with the risk management policy.

1) Currency risk

The Group's exposure to currency risk is on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD, JPY, EUR and HKD.

2) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios

(u) Capital management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the Group's equity.

The Group may adjust the payment of dividend to shareholders, return cash to shareholders through capital reduction, issue new shares or sell held for sale assets in order to pay off its liabilities. Likewise, the Group monitors its debt-to-capital ratio which serves as the basis to control capital, the same practice as the other companies in the industry. The Group's debt-to-capital ratio on reporting date was as follows:

	December 31, 2021	December 31, 2020
Total Liabilities	\$ 18,442,795	11,819,953
Deduct: cash and cash equivalents	<u>(80,699,971)</u>	<u>(51,725,906)</u>
Net liabilities	<u>\$ (62,257,176)</u>	<u>(39,905,953)</u>
Total equity	<u>\$ 172,978,068</u>	<u>153,812,027</u>
Debt-to-capital ratio	<u>(35.99)%</u>	<u>(25.94)%</u>

The Group has not changed its capital management strategy as of December 31, 2021.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (v) The investing and financing activities on non-cash transactions

The Group's investing and financing activities on non-cash transactions for the years ended December 31, 2021 and 2020 were as follows:

- (i) Acquisition of right-of-use assets by lease, please refer to Note6(h).

- (ii)

	For the years ended December 31,	
	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 11,352,775	8,364,592
Add: Payables on equipment at beginning of period	693,313	973,002
Less: Payables on equipment at end of period	(785,854)	(693,313)
Others	-	(167,843)
Cash Paid	<u>\$ 11,260,234</u>	<u>8,476,438</u>

	For the years ended December 31,	
	2021	2020
(iii) Retirement of treasury shares	<u>\$ 37,103</u>	<u>-</u>

- (iv) Reconciliation of liabilities arising from financing activities was as follow:

	Non-Cash changes				
	January 1, 2020	Cash flow	Change in an index of lease payment	Increased by other payables	December 31, 2021
Lease liabilities	<u>\$ 1,796,084</u>	<u>(188,376)</u>	<u>17,429</u>	<u>99,811</u>	<u>(347)</u>
					<u>1,724,601</u>

	Non-Cash changes				
	January 1, 2019	Cash flow	Increased by other payables	Interest expense	December 31, 2020
Lease liabilities	<u>\$ 99,924</u>	<u>(188,459)</u>	<u>1,884,277</u>	<u>(70)</u>	<u>412</u>
					<u>1,796,084</u>

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Formosa Petrochemical Corporation	The Group's other related parties
Formosa FCFC Carpet Corporation	The Group's other related parties
Nan Ya Photonics Incorporation	The Group's other related parties
Formosa Technologies (Nanjing) Corporation	The Group's other related parties
Formosa Sumco Technology Corporation	The Group's other related parties
Formosa Advanced Technologies Co., Ltd. (referred to as "FATC")	The Group's associates
Formosa Technologies Corporation	The Group's other related parties
Formosa Biomedical Technology Corp.	The Group's other related parties
Formosa Plastics Corporation	The Group's other related parties
Formosa Waters Technology Co., Ltd.	The Group's other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Group
Min Chi University of Technology	The Company's other related parties

(b) Significant transactions with related parties

(i) Sales to related parties

Relationship	Sales		Accounts receivable to related parties	
	For the year ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Associates	\$ -	9,271	-	8,237

The terms and pricing of sales with associates were not significantly different from normal selling price, which is collected every 15th of the following month. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Purchase from related parties

Relationship	Purchases		Accounts payable to related parties	
	For the year ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Entities with significant influence over the Group	\$ 121,418	89,770	12,764	9,686
Associates	852	801	-	-
Other related parties:				
Formosa Sumco Technology Corporation	661,913	573,342	97,938	71,257
Other related parties	270,612	233,946	8,812	3,735
	<u>\$ 1,054,795</u>	<u>897,859</u>	<u>119,514</u>	<u>84,678</u>

The terms and pricing of purchase transactions with related parties above were not significantly different from those offered by other vendors. The payment terms ranged from one to two months, which were no different from the payment terms given by other vendors.

(iii) Consigned out for processing

Relationship	Amount		Other payables to related parties	
	For the year ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Associates	\$ 7,773,589	7,136,528	1,221,034	1,049,080

The term of transactions with the related parties above is 60 days after the end of each month when processed consigned goods are received.

(iv) Financing from related parties

Relationship	Financial costs	
	For the year ended December 31	
	2021	2020
Other related parties:		
Formosa Technologies (Nanjing) Corporation	-	94

The borrowing from related parties above as of December 31, 2021 and 2020 has already been repaid

(v) Property transactions

Acquisition of equipment

Relationship	Acquisition price		Other payables to related parties	
	For the six months ended December 31,		December 31, 2021	December 31, 2020
	2021	2020		
Entities with significant influence over the Group	\$ 32,371	40,550	8,093	20,830
Other related parties	9,718	-	8,088	-
	<u>\$ 42,089</u>	<u>40,550</u>	<u>16,181</u>	<u>20,830</u>

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vi) Leases

Relationship	Acquisition price	
	For the six months ended	
	December 31,	
	2021	2020
Entities with significant influence over the Group	\$ 65,134	62,391

The rentals charged to the entities with significant influence over the Company are determined based on the local market prices, and rents are paid monthly. The Group entered into 9 to 10 years lease agreements between July and August 2020, as well as a 3-year lease agreement in July 2017, with Nan Ya Plastics Corporation, at the total values of \$2,015,018 and \$617,862, respectively. Also, for the years ended December 31, 2021 and 2020, the Group recognized the amounts of \$23,290 and \$12,833, respectively, as interest expenses. Furthermore, on December 31, 2021 and 2020, the balances of lease liabilities amounted to \$1,633,479 and \$1,796,084, respectively. In additions, for the year ended December 31, 2021 and 2020, the Group recognized the additions of the right of use asset amounting to \$0 and \$1,884,277, respectively.

The Group entered into a 3-year lease agreement in December 2021 with Min Chi University of Technology, at the total values of \$50,198. Also, for the year ended December 31, 2021, the Group recognized the amount of \$43, as interest expense. Furthermore, on December 31, 2021, the balance of lease liabilities amounted to \$49,352.

For the details of right of use asset, please refer to Note6(h).

(vii) Others

Relationship	Other income	
	For the six months ended	
	December 31	
	2021	2020
Associates	\$ 602	3,635

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended	
	December 31,	
	2021	2020
Short-term employee benefits	\$ 63,913	77,621
Share-based payment	5,696	702
	\$ 69,609	78,323

Please refer to Note 6(n) for the details of share-based payment.

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NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(8) Pledged assets:

The Group's assets pledged to secure loans are as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Other non-current assets	Office leasing	<u>\$ 5,391</u>	<u>5,573</u>

(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2021	December 31, 2020
Guarantees for importation goods provided by bank	\$ 835,000	935,000
Unused letters of credit	112,321	660,779
Total	<u>\$ 947,321</u>	<u>1,595,779</u>

(b) Contingent liabilities

- (i) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The lawsuit was in a court hearing. The Company has engaged counsels to properly handle it to ensure the Company's rights.
- (ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was dismissed in April 2021, therefore it was closed.
- (iii) In November 2019, Monterey Research LLC (Monterey) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure the Company's rights.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Micron Technology Taiwan. Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:
- 1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US\$54,030 thousand; the Company agreed to share the 50% portion of the total costs and accrued it as expense of \$850,000 (USD27,015 thousand) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2021 and 2020, the payment amounting to \$ 357,800 and \$200,950 had been recognized by the Company.
 - 2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,719,161	2,882,127	6,601,288	2,955,084	2,253,131	5,208,215
Labor and health insurance	208,937	187,751	396,688	194,298	166,321	360,619
Pension expenses	100,824	90,491	191,315	99,661	85,264	184,925
Remuneration for directors	-	6,610	6,610	-	6,500	6,500
Other personnel expenses	70,520	32,752	103,272	73,204	30,092	103,296
Depreciation expenses	14,531,453	502,312	15,033,765	13,773,731	440,507	14,214,238
Amortization expenses	260,025	-	260,025	236,477	-	236,477

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Mesh Cooperative Ventures Fund LP	-	Financial assets at fair value through other comprehensive income —non-current	-	11,071	2.46%	11,071	2.46%	

(iv) Information regarding purchase or sale of securities for the period exceeding \$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars / Shares)

Name of company	Security type	Account	Counter party	Relationship	Beginning		Purchases		Sales				Ending		Note
					Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Price	Cost	Gain (loss) on disposal	Shares (in thousand)	Amount	
Nanya Technology International, Ltd.	Stocks	Investment accounted for using equity method	Nanya Technology International, Ltd.	Subsidiary	1.2	34,357,493	0.4	11,141,200	-	-	-	-	1.6	44,369,801	Note

Note :The transactions were written off in the consolidated financial statements.

- (v) Acquisition of individual real estate with amount exceeding \$300 million or 20% of the Company's paid-in capital: None
- (vi) Disposal of individual real estate with amount exceeding \$300 million or 20% of the Company's paid-in capital: None
- (vii) Related-party transaction for purchases and sales for which amounts exceeding \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(11,944,306)	(13.97)%	O/A 60~90Days	-		2,880,267	23.59%	(Note)
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(5,899,564)	(6.90)%	O/A 180Days	-		774,240	6.34%	(Note)
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(5,109,182)	(5.98)%	O/A 60~90Days	-		1,143,206	9.37%	(Note)
The Company	Nanya Technology Corp., HK	Subsidiary	(Sale)	(168,328)	(0.20)%	O/A 60~90 Days	-		33,231	0.27%	(Note)
Nanya Technology Corp., Delaware	Nanya Technology Corp.	The parent company	(Sale)	(437,508)	(100.00)%	O/A 60~90 Days	-		56,531	100.00%	(Note)
Nanya Technology Corp., U.S.A	Nanya Technology Corp.	The parent company	Purchase	11,944,306	100.00%	O/A 60~90 Days	-		(2,880,267)	(100.00)%	(Note)
Nanya Technology Corp., Japan	Nanya Technology Corp.	The parent company	Purchase	5,899,564	100.00%	O/A 180Days	-		(774,240)	(100.00)%	(Note)
Nanya Technology Corp., Europe GmbH	Nanya Technology Corp.	The parent company	Purchase	5,109,182	100.00%	O/A 60~90Days	-		(1,143,206)	(100.00)%	(Note)

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Nanya Technology Corp., HK	Nanya Technology Corp.	The parent company	Purchase	168,328	100.00%	O/A 60~90Days	-		(33,231)	(100.00)%	(Note)
The Company	Formosa Sumco Technology Corporation	Other related parties	Purchase	661,913	5.35%	O/A 60Days	-		(97,938)	(3.44)%	-
The Company	Formosa Biomedical Technology Corporation	Other related parties	Purchase	186,979	1.51%	Payment after arrival and inspection of good	-		(6,858)	(0.24)%	-
The Company	Nanya Plastic Corporation	The entities with significant influence over the Group	Purchase	121,418	0.98%	Payment after arrival and inspection of good	-		(12,764)	(0.45)%	-

Note: The transactions were written off in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance of accounts receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	2,880,767	5.53	-	-	1,241,775	-
The Company	Nanya Technology Corp., Japan	Subsidiary	774,240	7.79	-	-	420,874	-
The Company	Nanya Technology Europe GmbH	Subsidiary	1,143,206	6.35	-	-	465,832	-

Note: The transactions were written off in the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Sales	11,944,306	On the basis of general conditions	13.95%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Sales	5,899,564	On the basis of general conditions	6.89%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Sales	5,109,182	On the basis of general conditions	5.97%
0	Nanya Technology Corp.	Nanya Technology Corp. HK	1	Sales	168,328	On the basis of general conditions	0.20%
1	Nanya Technology Corp. Delaware	Nanya Technology Corp.	2	Sales	437,508	On the basis of general conditions	0.51%
0	Nanya Technology Corp.	Nanya Technology Corp., U.S.A	1	Accounts receivable	2,880,267	On the basis of general conditions	1.50%
0	Nanya Technology Corp.	Nanya Technology Corp., Japan	1	Accounts receivable	774,240	On the basis of general conditions	0.40%
0	Nanya Technology Corp.	Nanya Technology Europe GmbH	1	Accounts receivable	1,143,206	On the basis of general conditions	0.60%
0	Nanya Technology Corp.	Nanya Technology Corp. HK	1	Accounts receivable	33,231	On the basis of general conditions	0.02%
1	Nanya Technology Corp. Delaware	Nanya Technology Corp.	2	Accounts receivable	56,531	On the basis of general conditions	0.03%

Note 1: Assigned numbers represent the following:

1. 0 represents the parent company.
2. The subsidiaries are represented numerically starting from 1.

Note 2: The terms of transactions are defined as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to Subsidiary.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3: The business relationship and significant transactions between the parent company and the subsidiary only disclose the importations of sales and account receivable, did not repeat about the purchase and account payable.

Note 4: The transactions were written off in the consolidated financial statements.

(b) Information on investees (excluding information on investees in Mainland China):

The following is the information on investees for the year ended December 31, 2021:

(In Thousands of New Taiwan Dollars / Thousands Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income of investee	Share of profits of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2.4	100.00%	52,347	100.00	23,630	23,630	(Note1)
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00%	183,208	100.00	16,339	16,339	(Note1)
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	19.7	100.00%	77,118	100.00	12,890	12,890	(Note1)
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00%	244,686	100.00	103,773	103,773	(Note1)
The Company	Nanya Technology International, Ltd.	British Virgin Island	General investment business	48,145,600	37,004,400	1.6	100.00%	44,369,801	100.00	148,456	148,456	(Note 1)
The Company	Formosa Advanced Technologies Co., Ltd.	Yunlin	Assembling, testing and producing modules for IC	5,099,482	5,099,482	141,511	32.00%	5,339,031	32.00	1,557,009	520,977	(Note 2)
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00%	72,107	100.00	7,910	7,910	(Note1)

Note: (1) The transactions were written off in the consolidated financial statements.

(2) Investment accounted for using equity method.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	27,275 (USD985 thousand)	(2)	27,275 (USD985 thousand)	-	-	27,275 (USD985 thousand)	3,889	100.00%	100.00	3,889 (Note 2)	23,024	-

Note 1 : Three types of investments were as follows:

- (1) Investing directly in Mainland China
- (2) Investing the companies in Mainland China through third parties.
- (3) Others

Note 2 : The financial statements were reviewed by a certified public accountant of the Taiwanese parent company.

Note3 : The transactions were written off in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
27,275 (USD985 thousand)	27,275 (USD985 thousand)	103,786,841

Note 1 : The exchange rate of New Taiwan dollars to US dollars on December 31, 2021 was USD1 : TWD 27.69

Note 2 : 60% of net equity.

(iii) Significant transactions: None

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Information on major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Nan Ya Plastics Corporation		907,303,775	29.29%
Formosa Chemicals & Fibre Corporation		334,815,409	10.81%
Formosa Plastics Corporation		334,815,409	10.81%
Formosa Petrochemical Corp		334,815,409	10.81%

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider' s equity announcement please refer to the TWSE website.

(14) Segment information:

(a) General information:

The Group has 4 reporting segments: segment of manufacturing, segment of oversea sales , segment of oversea overseas R&D, and segment of investment. The segment of manufacturing is responsible for the manufacture and sales of semiconductor products; the segment of oversea sales is responsible for the sales of semiconductor products; the segment of overseas R&D is responsible for research and development of semiconductor products; and the segment of investment is responsible for investment securities.

The operating decision maker, on the other hand, uses the geographic area information as its management framework in managing the segments mentioned above.

(b) The income of the reporting segment, segment assets, segment liabilities and the information of the measure basis and reconciliation.

The accounting policies of each segment was similar to those described in note 4 “significant accounting policies” . The performance evaluation of each department is based on the gain or loss of the Group’ s operating department, which is measured using the profit before tax. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

No tax expenses(income) were allocated to the reporting segment and the reportable amounts were same as to the report used by the chief operating decision maker.

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Group's operating segment information and reconciliation are as follows:

For the year ended December 31, 2021						
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 23,244,297	-	62,359,861	-	-	85,604,158
From sales among intersegments	52,754	437,508	23,121,381	-	(23,611,643)	-
Total revenue	\$ 23,297,051	437,508	85,481,242	-	(23,611,643)	85,604,158
Interest expense	\$ -	-	23,667	-	-	23,667
Depreciation and amortization	5,728	4,622	15,283,440	-	-	15,293,790
Share of profit (loss) of associates accounted for using equity method, net	11,799	-	826,065	-	(316,887)	520,977
Other non-cash significant item:						
Impairment loss on non-financial assets	31,640	-	-	-	-	31,640
Reportable segment profit or loss	\$ 229,018	21,430	27,673,614	148,456	(305,088)	27,767,430
Capital expenditure of non-current assets	12,537	15,265	78,899,499	-	-	78,927,301
Reportable segments assets	\$ 5,474,495	204,459	191,326,808	44,369,801	(49,954,700)	191,420,863
Reportable segments liabilities	\$ 4,964,224	21,250	18,348,740	-	(4,891,419)	18,442,795
For the year ended December 31, 2020						
	Overseas sales division	Overseas R&D division	Manufacturing divisions	Investment divisions	Adjustments and eliminated	Total
Revenue:						
From external customers	\$ 16,129,461	-	44,876,053	-	-	61,005,514
From sales among intersegments	53,891	454,105	15,824,337	-	(16,332,333)	-
Total revenue	\$ 16,183,352	454,105	60,700,390	-	(16,332,333)	61,005,514
Interest expense	\$ 94	-	13,023	-	-	13,117
Depreciation and amortization	6,192	3,519	14,441,004	-	-	14,450,715
Share of profit (loss) of associates accounted for using equity method, net	7,923	-	1,043,924	-	(584,952)	466,895
Other non-cash significant item:						
Reportable segment profit or loss	\$ 23,811	22,971	8,974,018	547,446	(577,029)	8,991,217
Capital expenditure of non-current assets	\$ 14,968	17,147	82,745,077	-	-	82,777,192
Reportable segments assets	\$ 3,119,912	195,825	165,624,472	34,357,531	(37,665,760)	165,631,980
Reportable segments liabilities	\$ 2,713,185	23,832	11,812,445	38	(2,729,547)	11,819,953

(c) Types of products and service:

The Group's revenue from external customer were as follows:

Products and service	For the year ended ,	
	December 31, 2021	December 31, 2020
DRAM	\$ 85,474,538	60,866,320
Others	129,620	139,194
Total	\$ 85,604,158	61,005,514

(Continued)

NANYA TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Geographic area information

The Group's revenue from operations from external customers by location of operations and information concerning the location of its non-current assets were as follows:

District	For the year ended ,	
	December 31, 2021	December 31, 2020
From external clients:		
Taiwan	\$ 30,127,893	19,866,890
USA	1,146,255	548,152
Japan	3,360,478	1,512,613
Mainland China	39,504,810	32,202,589
Other countries	11,464,722	6,875,270
Total	<u><u>\$ 85,604,158</u></u>	<u><u>61,005,514</u></u>

District	December 31, 2021	December 31, 2020
Non-current assets:		
Taiwan	\$ 78,899,499	82,745,077
Other countries	27,802	32,115
Total	<u><u>\$ 78,927,301</u></u>	<u><u>82,777,192</u></u>

Non-current assets included property, plant and equipment, right-of-use assets and intangible asset, excluding financial instruments and deferred tax assets.

(e) Major clients

	December 31, 2021	December 31, 2020
WPI International Co.	\$ 11,495,178	5,470,587
MediaTek Inc	10,090,072	4,424,729
WT Microelectronics Co., Ltd.	7,464,182	3,844,091
KINGSTONE TECHNOLOGY CO, LTD	5,116,147	7,339,958
Huawei tech.Investment Co.,Limited	-	6,268,808
Total	<u><u>\$ 34,165,579</u></u>	<u><u>27,348,173</u></u>

Appendix B

NANYA TECHNOLOGY CORPORATION

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

(English Translation of Financial Statements and Report Originally Issued in Chinese)

NANYA TECHNOLOGY CORPORATION

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: No.98, Nanlin Rd., Dake Vil., Taishan Dist., New Taipei City, Taiwan (R.O.C.)
Telephone: (02)2904-5858

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Nanya Technology Corporation:

Opinion

We have audited the financial statements of Nanya Technology Corporation ("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020, 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 Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

Valuation of inventories

Please refer to Notes 4(g), 5, as well as 6(d) for details on accounting policy, judgments, and major sources of estimation uncertainty, as well as disclosure on information about inventory valuation, respectively.

The Company recognizes a loss from the devaluation of inventories on a quarterly basis based on the lower of cost or net realizable value method. The international market price of DRAM has significantly affected the net realizable value of inventories. Therefore, the evaluation of inventory has been identified as a key audit matter in the financial statements.

The principal audit procedures performed to address the aforementioned key audit matter included understanding the basis adopted by the management in the estimate of net realizable value, and sampling to test the reasonableness of the net realizable value.

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 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities of the investments in other entities accounted for using the equity method. We are responsible for the direction, supervision and performance of our audit. Furthermore, 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Hui-Chih Ko and Hsin-Yi Kuo.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2022

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
Nanya Technology Corporation

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2021</u>		<u>December 31, 2020</u>				<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 35,267,599	18	16,573,114	10	2170	Accounts payable	2,729,719	1	2,027,096	1
1170	Accounts receivable, net (Notes 6(b)(p))	7,376,189	4	5,547,350	3	2180	Accounts payable to related parties (Note 7)	119,514	-	84,678	-
1180	Accounts receivable due from related parties, net (Notes 6(b)(p) and 7)	4,830,944	3	2,688,002	2	2200	Other payables	6,576,303	4	4,161,575	2
1200	Other receivables (Notes 6(c))	957,477	1	1,456,089	1	2220	Other payables to related parties (Notes 7)	1,297,691	1	1,119,693	1
1310	Inventories (Notes 6(d))	11,467,807	6	14,084,255	8	2230	Current tax liabilities	4,662,411	3	1,129,651	1
1410	Prepayments (Note 6(e))	827,120	-	551,365	-	2280	Current lease liabilities (Notes 6(j) and 7)	214,928	-	178,432	-
1470	Other current assets (Notes 6(e))	754,838	-	959,948	1	2399	Other current liabilities	1,077	-	75,759	-
Total current assets		61,481,974	32	41,860,123	25	Total current liabilities		15,601,643	9	8,776,884	5
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income	11,071	-	-	-	2570	Deferred tax liabilities (Note 6(l))	24,718	-	-	-
1550	Investments accounted for using equity method (Note 6(f))	50,266,191	26	40,084,942	25	2580	Non-current lease liabilities (Note 6(j) and 7)	1,509,673	1	1,617,652	1
1600	Property, plant and equipment (Notes 6(g)(v) and 7)	76,178,890	40	79,696,505	48	2640	Net defined benefit liability, non-current (Note 6(k))	641,238	-	566,283	-
1755	Right-of-use assets (Notes 6(h)(v) and 7)	1,707,092	1	1,790,192	1	2670	Other non-current liabilities	571,468	-	851,626	1
1780	Intangible assets	1,013,517	1	1,258,380	1	Total non-current liabilities		2,747,097	1	3,035,561	2
1840	Deferred tax assets (Notes 6(l))	288,767	-	345,830	-	Total liabilities		18,348,740	10	11,812,445	7
194D	Long-term financial lease payments receivable (Note 6(i))	254,305	-	483,436	-	Equity (Note 6(m)):					
1990	Other non-current assets	125,001	-	105,064	-	3110	Ordinary share	30,968,749	16	30,935,939	19
Total non-current assets		129,844,834	68	123,764,349	75	3140	Advance receipts for share capital	4,508	-	36,264	-
Total assets		\$ 191,326,808	100	165,624,472	100	3200	Capital surplus	32,804,505	17	32,451,689	19
						3310	Legal reserve	14,879,816	8	14,110,871	9
						3320	Special reserve	3,011,507	2	1,041,100	1
						3350	Unappropriated retained earnings	95,425,925	49	79,394,603	48
						3400	Other equity interest	(4,116,942)	(2)	(3,011,507)	(2)
						3500	Treasury shares	-	-	(1,146,932)	(1)
						Total equity		172,978,068	90	153,812,027	93
						Total liabilities and equity		\$ 191,326,808	100	165,624,472	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
NANYA TECHNOLOGY CORPORATION
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(p) and 7)	\$ 85,481,242	100	60,700,390	100
5000	Operating costs (Notes 6(d)(g)(h)(j)(k)(n)(q) and 7)	<u>(48,598,616)</u>	<u>(57)</u>	<u>(45,288,242)</u>	<u>(75)</u>
	Gross profit from operations	36,882,626	43	15,412,148	25
5910	Add: Unrealized profit from sales	(136,120)	-	(11,775)	-
5920	Realized profit on from sales	<u>11,775</u>	<u>-</u>	<u>15,749</u>	<u>-</u>
	Gross profit from operations	<u>36,758,281</u>	<u>43</u>	<u>15,416,122</u>	<u>25</u>
	Operating expenses (Notes 6(g)(h)(j)(k)(n)(q) and 7):				
6100	Selling expenses	(663,724)	(1)	(600,862)	(1)
6200	Administrative expenses	(1,515,505)	(2)	(1,312,475)	(2)
6300	Research and development expenses	<u>(7,520,614)</u>	<u>(9)</u>	<u>(5,159,496)</u>	<u>(8)</u>
	Total operating expenses	<u>(9,699,843)</u>	<u>(12)</u>	<u>(7,072,833)</u>	<u>(11)</u>
	Net operating income	<u>27,058,438</u>	<u>31</u>	<u>8,343,289</u>	<u>14</u>
	Non-operating income and expenses (Notes 6(f)(g)(i)(j)(r) and 7):				
7100	Total interest income	121,907	-	127,709	-
7020	Other gains and losses, net	(309,129)	-	(527,881)	(1)
7050	Finance costs	(23,667)	-	(13,023)	-
7070	Share of profit of associates accounted for using equity method, net	<u>826,065</u>	<u>1</u>	<u>1,043,924</u>	<u>2</u>
	Total non-operating income and expenses	<u>615,176</u>	<u>1</u>	<u>630,729</u>	<u>1</u>
7900	Profit before tax	27,673,614	32	8,974,018	15
7950	Less: Income tax expenses (Notes 6(l))	<u>(4,824,599)</u>	<u>(6)</u>	<u>(1,287,977)</u>	<u>(2)</u>
	Profit	<u>22,849,015</u>	<u>26</u>	<u>7,686,041</u>	<u>13</u>
8300	Other comprehensive income (Notes 6(k)(l)(m)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit	(92,311)	-	3,767	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(929)	-	-	-
8320	Share of other comprehensive income of subsidiaries, and associates for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(16,991)	-	(14,316)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(18,648)</u>	<u>-</u>	<u>754</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(91,583)</u>	<u>-</u>	<u>(11,303)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(1,092,193)	(1)	(1,955,693)	(3)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(1,092,193)</u>	<u>(1)</u>	<u>(1,955,693)</u>	<u>(3)</u>
8300	Other comprehensive (loss) income, net	<u>(1,183,776)</u>	<u>(1)</u>	<u>(1,966,996)</u>	<u>(3)</u>
8500	Comprehensive income	<u><u>\$ 21,665,239</u></u>	<u><u>25</u></u>	<u><u>5,719,045</u></u>	<u><u>10</u></u>
	Earnings per share (dollar) (Note 6(o))				
9750	Basic earnings per share	<u><u>\$ 7.40</u></u>		<u><u>2.51</u></u>	
9850	Diluted earnings per share	<u><u>\$ 7.35</u></u>		<u><u>2.49</u></u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

Nanya Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Other equity interest										
							Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
Balance at January 1, 2020	\$ 30,733,649	3,475	32,005,339	13,128,412	273,834	78,054,876	(938,039)	(103,061)	(1,041,100)	(1,146,932)	152,011,553
Net profit for the year ended December 31, 2020	-	-	-	-	-	7,686,041	-	-	-	-	7,686,041
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	3,411	(1,955,693)	(14,714)	(1,970,407)	-	(1,966,996)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	7,689,452	(1,955,693)	(14,714)	(1,970,407)	-	5,719,045
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	982,459	-	(982,459)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	767,266	(767,266)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,600,000)	-	-	-	-	(4,600,000)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	-	14	-	-	-	-	-	-	-	14
Recognized compensation costs on employee stock options	-	-	58,420	-	-	-	-	-	-	-	58,420
Past due unclaimed dividends	-	-	79	-	-	-	-	-	-	-	79
Exercise of employee share option	202,290	32,789	387,837	-	-	-	-	-	-	-	622,916
Balance at December 31, 2020	30,935,939	36,264	32,451,689	14,110,871	1,041,100	79,394,603	(2,893,732)	(117,775)	(3,011,507)	(1,146,932)	153,812,027
Net profit for the year ended December 31, 2021	-	-	-	-	-	22,849,015	-	-	-	-	22,849,015
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	(78,341)	(1,092,193)	(13,242)	(1,105,435)	-	(1,183,776)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	22,770,674	(1,092,193)	(13,242)	(1,105,435)	-	21,665,239
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	768,945	-	(768,945)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	1,970,407	(1,970,407)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(4,000,000)	-	-	-	-	(4,000,000)
Other changes in capital surplus											
Changes in equity of associates accounted for using equity method	-	-	15	-	-	-	-	-	-	-	15
Past due unclaimed dividends	-	-	123	-	-	-	-	-	-	-	123
Exercise of employee share options	39,280	(31,756)	72,500	-	-	-	-	-	-	-	80,024
Treasury shares transferred to employees	-	-	310,811	-	-	-	-	-	-	1,109,829	1,420,640
Retirement of treasury shares	(6,470)	-	(30,633)	-	-	-	-	-	-	37,103	-
Balance at December 31, 2021	\$ 30,968,749	4,508	32,804,505	14,879,816	3,011,507	95,425,925	(3,985,925)	(131,017)	(4,116,942)	-	172,978,068

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
Nanya Technology Corporation
Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Profit before tax	\$ 27,673,614	8,974,018
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	15,023,415	14,204,527
Amortization expense	260,025	236,477
Interest expense	23,667	13,023
Interest income	(121,907)	(127,709)
Share-based payments	313,110	58,420
Share of profit of subsidiaries and associates accounted for using equity method	(826,065)	(1,043,924)
Gain on disposal of property, plant and equipment	8,814	6,633
Impairment loss on non-financial assets	31,640	-
Unrealized gains on sales	136,120	11,775
Realized profit from sales	(11,775)	(15,749)
Foreign exchange gain or loss	(21,785)	70,894
Others	-	(30,748)
Total adjustments to reconcile profit	<u>14,815,259</u>	<u>13,383,619</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(4,009,001)	(764,103)
Other receivables	522,787	125,831
Inventories	2,616,448	3,988,053
Prepayments	(275,755)	86,318
Other non-current assets	205,110	36,353
Accounts payable (including related parties)	678,583	(291,754)
Other payable (including related parties)	2,659,092	(2,274,962)
Other current liabilities	(74,682)	(5,198)
Net defined benefit liability	(17,356)	(5,846)
Other non-current liabilities	(1,444)	(6,109)
Total changes in operating assets and liabilities	<u>2,303,782</u>	<u>888,583</u>
Cash inflow generated from operations	44,792,655	23,246,220
Interest received	62,533	53,030
Interest paid	(23,806)	(12,611)
Income taxes paid	(1,191,410)	(1,469,681)
Net cash flows from operating activities	<u>43,639,972</u>	<u>21,816,958</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(12,000)	-
Proceeds from capital reduction of investments accounted for using equity method	(11,141,200)	-
Acquisition of property, plant and equipment	(11,253,373)	(8,449,490)
Proceeds from disposal of property, plant and equipment	-	71
Increase in refundable deposits	(17,864)	(73,144)
Acquisition of intangible assets	(218,437)	(878,657)
Decrease in lease and installment receivables	264,330	264,330
Increase in other non-current assets	(10,516)	(308)
Dividends received	552,502	1,620,170
Net cash flows used in investing activities	<u>(21,836,558)</u>	<u>(7,517,028)</u>
Cash flows used in financing activities:		
Decrease (increase) in guarantee deposits received	(59,505)	63,246
Payment of lease liabilities	(188,376)	(188,459)
Cash dividends paid	(4,000,000)	(4,600,000)
Exercise of employee share options	80,024	622,916
Treasury shares transferred to employees	1,107,530	-
Net cash flows used in financing activities	<u>(3,060,327)</u>	<u>(4,102,297)</u>
Effect of exchange rate changes on cash and cash equivalents	(48,602)	(122,339)
Net increase in cash and cash equivalents	18,694,485	10,075,294
Cash and cash equivalents at beginning of period	16,573,114	6,497,820
Cash and cash equivalents at end of period	<u><u>\$ 35,267,599</u></u>	<u><u>16,573,114</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Nanya Technology Corporation (the “Company”) was legally established with the approval of the Ministry of Economic Affairs on March 4, 1995, with registered address at No.98, Nanlin Road, Dake Vil., Taishan District, New Taipei City, Taiwan. The main operating activities of the Company are researching, developing, manufacturing and selling semiconductor products, and the import and export of its machinery, equipment and raw materials.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issuance by the Board of Directors on February 24, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 – 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the “Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis.

- 1) Financial assets at fair value through other comprehensive income are measured at fair value.
- 2) The defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- (i) The asset is expected to be realized, or intended to be sold or consumed, in the Company's normal operating cycle;
- (ii) The asset is held primarily for the purpose of trading;

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

- (iii) The asset is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- (i) The liability is expected to be settled in the normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The liability does not have any unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand, checks and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company' s right to receive payment is established.

3) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company' s management;

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables (including related parties), other receivable, leases receivable, and guarantee deposit paid).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

Loss allowance for note and trade receivables due from related parties are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 60 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or being more than 60 days past due;
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

2) Financial liabilities

Financial liabilities are classified at amortized cost. Foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their present location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(i) Subsidiaries

The Company accounts for investee companies in which it has a controlling interest using the equity method. The net income, other comprehensive income, and shareholders' equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Company in the consolidated financial reports should be the same.

The Company accounts for changes in owners' equity of subsidiaries as equity transactions between the two parties of the transaction, provided that control is still exists.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives.

Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment has an unlimited useful life and therefore are as follows:

- 1) Buildings: 25 years.
- 2) Machinery and equipment: 5 to 16 years.
- 3) Other equipment: 3 to 15years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate, the change is accounted for as a change in accounting estimate.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory, parking lots and offices. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets, patents that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives of patent for current and comparative periods are both 5~10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(m) Impairment of non-derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from an acquisition about an investment accounted for using the equity method is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is value in use fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue recognition

Revenue from contracts with customers is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Company manufactures and sells semi-conductor products on the market. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(o) Employee benefits

(i) Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date of a share-based payment is the date which the Board of Directors authorized the price and number of a share-based payment.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction.
- (ii) Temporary differences related to investments in subsidiaries that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and employee compensation.

(s) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in its financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor its accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

For information about judgments made in applying the accounting policies that have the most significant effects on the recognized amounts in the financial statements, whether the Company has substantive control over its investees, please refer to the notes in consolidated financial statements for the year ended 2020.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for details of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand—pretty cash	\$ 4	-
Demand deposit and checking accounts	17,392,433	14,066,618
Cash equivalents:		
Time deposits	13,686,093	-
Commercial paper	2,378,765	2,014,416
Repurchase agreements collateralized by corporate bonds	1,810,304	492,080
	<u>\$ 35,267,599</u>	<u>16,573,114</u>

Refer to Note 6(s) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable -measured at amortized cost	\$ 7,376,189	5,547,350
Accounts receivable -related parties	4,830,944	2,688,002
	<u>\$ 12,207,133</u>	<u>8,235,352</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for accounts receivables (including related parties). To measure the expected credit losses, accounts receivables (including related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The expected credit losses for accounts receivables (including related parties) was determined as follows:

December 31, 2021			
Due days	Accounts receivables (including related parties) gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	<u><u>\$ 12,207,133</u></u>	-	<u><u>-</u></u>
December 31, 2020			
Due days	Accounts receivables (including related parties) gross carrying amount gross	Weighted average loss rate	Loss allowance provision
Current	<u><u>\$ 8,235,352</u></u>	-	<u><u>-</u></u>

The Group did not recognize any allowance for impairment as there were no uncollected accounts receivable (including related parties) that were past due as of December 31, 2021 and 2020.

Please refer to Note 6(s) for other information of credit risk.

(c) Other receivables

	December 31, 2021	December 31, 2020
Tax refund receivable	\$ 677,319	1,228,011
Lease payment receivable	229,131	206,462
Interest receivable	1,641	147
Others	49,386	21,469
	<u><u>\$ 957,477</u></u>	<u><u>1,456,089</u></u>

Please refer to Note 6(s) for other information of credit risk.

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 641,996	350,906
Work in progress	7,364,481	6,578,665
Finished goods	3,461,330	7,154,684
Total	<u><u>\$ 11,467,807</u></u>	<u><u>14,084,255</u></u>

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The Company recognized cost of goods sold amounting to \$48,221,669 and \$44,881,018 for the years ended 2021 and 2020, respectively.

The Company did not recognize any loss or gain from devaluation of inventories as there was no indication of impairment or net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved on inventories for the years ended 2021 and 2020.

(e) Prepayments and other current assets

(i) Prepayments

	December 31, 2021	December 31, 2020
Prepaid expense	\$ 809,414	548,312
Prepayments to purchases	17,706	3,053
	<u>\$ 827,120</u>	<u>551,365</u>

(ii) Other current assets

	December 31, 2021	December 31, 2020
Project consumables	\$ 513,850	676,200
Suppliers	240,988	283,748
	<u>\$ 754,838</u>	<u>959,948</u>

(f) Investments accounted for using equity method

The components of the investments accounted for using equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 44,927,160	34,924,437
Associates	5,339,031	5,160,505
	<u>\$ 50,266,191</u>	<u>40,084,942</u>

(i) Subsidiaries

Please refer to the consolidated financial statements as of and for the year ended December 31, 2021 for further information.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(ii) Associates

The related information of the major associate to the Company was as follows:

Name of Associates	Nature of Relationship to the Group	Registration Country	Percentage of ownership	
			December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd.(FATC)	It mainly engages in assembling and testing of module products, as well as in the research and development of integrated circuits.	Taiwan	32.00%	32.00%

The fair value of major associates listed on the Stock Exchange was as follows:

	December 31, 2021	December 31, 2020
Formosa Advanced Technologies Co., Ltd.	<u>\$ 17,290,889</u>	<u>16,716,000</u>

The aggregated financial information of the major associate was as follows:

The financial information of FATC was as follows:

	December 31, 2021	December 31, 2020
Current assets	\$ 9,538,767	7,816,528
Non-current assets	4,693,324	5,792,482
Current liabilities	(1,402,448)	(1,238,254)
Non-current liabilities	(527,629)	(555,589)
Net asset	<u>\$ 12,302,014</u>	<u>11,815,167</u>
Net asset contributed to FATC	<u>\$ 12,302,014</u>	<u>11,815,167</u>
	For the year ended December 31,	
	2021	2020
Operating revenue	<u>\$ 9,939,192</u>	<u>9,706,776</u>
Profit	\$ 1,557,008	1,402,677
Other comprehensive loss	(53,098)	(44,738)
Total comprehensive income	<u>\$ 1,503,910</u>	<u>1,357,939</u>
Comprehensive income contributed to FATC	<u>\$ 1,503,910</u>	<u>1,357,939</u>

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

	December 31, 2021	December 31, 2020
Share of net assets of the major associate at January 1	\$ 3,780,854	3,657,624
Total comprehensive income contributed to the Company	481,251	434,540
Uncollected dividends beyond the collection period which are reclassified to capital surplus	15	14
Cash dividends contributed to the Company	<u>(325,475)</u>	<u>(311,324)</u>
Share of net assets of major associate at December 31	3,936,645	3,780,854
Add: Goodwill	1,463,162	1,463,162
Less: Unrealized profits on upstream sales net assets of the associates	<u>(60,776)</u>	<u>(83,511)</u>
Total carrying amount of the major associate	<u><u>\$ 5,339,031</u></u>	<u><u>5,160,505</u></u>

(g) Property, plant and equipment

	Land	Building	Machinery and equipment	Other equipment	Under construction	Total
Cost:						
Balance as of January 1, 2021	\$ 1,013,924	8,142,962	198,973,463	817,016	6,371,857	215,319,222
Additions	-	8,420	825,663	48,351	10,463,480	11,345,914
Disposals	-	-	(305,403)	(11,208)	-	(316,611)
Reclassification	-	132,594	8,249,535	6,109	(8,388,238)	-
Balance as of December 31, 2021	<u>\$ 1,013,924</u>	<u>8,283,976</u>	<u>207,743,258</u>	<u>860,268</u>	<u>8,447,099</u>	<u>226,348,525</u>
Balance as of January 1, 2020	\$ 1,013,924	8,155,623	195,834,150	911,349	2,249,125	208,164,171
Additions	-	-	858,712	49,353	7,429,579	8,337,644
Disposals	-	(12,661)	(846,845)	(154,494)	-	(1,014,000)
Reclassification	-	-	3,127,446	10,808	(3,306,847)	(168,593)
Balance as of December 31, 2020	<u>\$ 1,013,924</u>	<u>8,142,962</u>	<u>198,973,463</u>	<u>817,016</u>	<u>6,371,857</u>	<u>215,319,222</u>
Accumulated depreciation / impairment:						
Balance as of January 1, 2021	\$ -	2,607,637	132,363,691	651,389	-	135,622,717
Depreciation for the period	-	322,858	14,446,763	53,454	-	14,823,075
Impairment loss	-	-	31,640	-	-	31,640
Disposals	-	-	(296,589)	(11,208)	-	(307,797)
Reclassification	-	-	(92)	92	-	-
Balance as of December 31, 2021	<u>\$ -</u>	<u>2,930,495</u>	<u>146,545,413</u>	<u>693,727</u>	<u>-</u>	<u>150,169,635</u>
Balance as of January 1, 2020	\$ -	2,293,861	119,593,407	763,023	-	122,650,291
Depreciation for the period	-	319,741	13,647,817	43,662	-	14,011,220
Disposals	-	(5,965)	(846,837)	(154,494)	-	(1,007,296)
Reclassification	-	-	(30,696)	(802)	-	(31,498)
Balance as of December 31, 2020	<u>\$ -</u>	<u>2,607,637</u>	<u>132,363,691</u>	<u>651,389</u>	<u>-</u>	<u>135,622,717</u>
Balance as of December 31, 2021	<u>\$ 1,013,924</u>	<u>5,353,481</u>	<u>61,197,845</u>	<u>166,541</u>	<u>8,447,099</u>	<u>76,178,890</u>
Balance as of December 31, 2020	<u>\$ 1,013,924</u>	<u>5,535,325</u>	<u>66,609,772</u>	<u>165,627</u>	<u>6,371,857</u>	<u>79,696,505</u>

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The estimated future recoverable amount of equipment, which had been identified to be no longer useful for its operation, is lower than the book value. In 2021, the Company reassessed its estimates, wherein the amount of \$31,640 of the impairment loss has been recognized.

(h) Right-of-use assets

	Land	Building	Total
Cost :			
Balance at January 1, 2021	\$ 1,884,277	-	1,884,277
Additions	109,059	8,181	117,240
Balance at December 31, 2021	\$ 1,993,336	8,181	2,001,517
Balance at January 1, 2020	\$ 297,829	-	297,829
Additions	1,884,277	-	1,884,277
Decrease	(297,829)	-	(297,829)
Balance at December 31, 2020	\$ 1,884,277	-	1,884,277
Accumulated depreciation:			
Balance at January 1, 2021	\$ 94,085	-	94,085
Depreciation for the period	198,908	1,432	200,340
Balance at December 31, 2021	\$ 292,993	1,432	294,425
Balance at January 1, 2020	\$ 198,607	-	198,607
Depreciation for the period	193,307	-	193,307
Decrease	(297,829)	-	(297,829)
Balance at December 31, 2020	\$ 94,085	-	94,085
Carrying Amount:			
Balance at December 31, 2021	\$ 1,700,343	6,749	1,707,092
Balance at December 31, 2020	\$ 1,790,192	-	1,790,192

(i) Lease receivables

- (i) On June 18, 2009, the Company signed an amended long-term lease agreement with Inotera Memories, Inc. (its name was changed to Micron Technology Taiwan in March, 2017, referred to as "MTTW") on the lease of building, facilities and land located on 348, 348-1 and 348-3, Hwa Ya Section, Kueishan District, Taoyuan City. This amended lease agreement, which took effect retroactively from January 1, 2009, includes the renewal term. Initial lease term is from January 1, 2009 to December 31, 2018. However, MTTW is entitled to renew this amended lease agreement for an unlimited number of consecutive additional terms of five years each, by providing a written notice with the intention to renew the lease term commencing from January 1, 2019. MTTW has completed the renewal of its lease agreement, with a written notice on December 13, 2018. In addition, MTTW has an exclusive option to purchase the leased assets for a total purchase price of USD50,000 thousand on and after January 1, 2024. Also, the rental receivable for the entire year of 2009 has been waived. Initial yearly rentals for the

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

leased building (including facilities and land) were USD13,010 thousand and USD1,990 thousand, respectively from January 1, 2010 to December 31, 2018; the first yearly renewal rentals for the leased building (including facilities and land) will be USD8,010 thousand and USD1,990 thousand, respectively, from January 1, 2019 to December 31, 2023; the subsequent yearly renewal rentals for the leased building (including facilities and land) will be USD10 thousand and USD1,990 thousand commencing from January 1, 2024. The amended lease agreement for the building (including facilities) is treated as a capital lease because (a) the present value of the periodic rental payments made since the inception date is at least 90% of the market value of the leased assets and (b) the lease term is equal to 75% or more of the total estimated economic life of the leased assets. The land is treated as an operating lease.

- (ii) The total lease receivable from the capital lease of the building (including facilities) was \$5,185,620; the implicit interest rate was 10.56%. The cost of the leased assets at the beginning of the lease period was \$2,656,223. The difference was recognized as unrealized interest revenue of \$2,529,397. For the years ended 2021, the Company recognized the interest revenue of \$57,880 and \$78,316, respectively, from the amortization of unrealized interest revenue.

The details of lease receivables were as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 264,330	264,330
One to two years	264,330	264,330
Two to three years	-	264,330
Total lease payments receivable	528,660	792,990
Unearned finance income	(45,224)	(103,104)
Present value of lease payments receivable	<u>\$ 483,436</u>	<u>689,886</u>

Please refer to Note 6(q) for information of credit risk.

- (j) Lease liabilities

	December 31, 2021	December 31, 2020
Current	<u>\$ 214,928</u>	<u>178,432</u>
Non-current	<u>\$ 1,509,673</u>	<u>1,617,652</u>

For the maturity analysis, please refer to Note 6(s).

The amount recognized in profit or loss were as follows:

	For the years ended December 31	
	2021	2020
Interest on lease liabilities	\$ 23,653	12,833
Expenses relating to short term leases	\$ 67,983	65,879

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The amount recognized in the statement of cash flows of the Group was as follows:

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 280,091</u>	<u>266,283</u>

(i) Land lease

The Company leases its land and building with a period of 2 to 10 years. The lease included an option to terminate the contract, which is exercisable only by the Company and not by the lessors. The lease payment changes annually based on a local price index.

(ii) Other leases

The Company leases staff dorm, factory, parking lots and office spaces which are short-term leases. The Company applied the recognition exemptions and elected not to recognize its right-of-use assets and lease liabilities for these leases.

(k) Employee benefits

(i) Defined benefit plan

The movements in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 1,181,856	1,108,808
Fair value of plan assets	(540,618)	(542,525)
Net defined benefit liabilities	<u>\$ 641,238</u>	<u>566,283</u>

The Company has established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement according to the R.O.C. Labor Standards Law.

1) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Company's pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income, but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2021, the Company's pension fund with Bank of Taiwan amounted to \$540,618. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

	For the years ended December 31,	
	2021	2020
Defined benefit obligation as of January 1,	\$ 1,108,808	1,098,174
Current service and interest costs	14,958	15,266
Remeasurement of net defined benefit liabilities		
— actuarial losses arising from change in financial assumptions	97,477	14,987
Reclassification of liabilities from transfer of employees	(2,406)	(869)
Benefits paid	(36,981)	(18,750)
Defined benefit obligation as of December 31,	\$ 1,181,856	1,108,808

3) Movements in fair value of defined benefit plan assets

	For the years ended December 31,	
	2021	2020
Fair value of plan assets as of January 1,	\$ 542,525	522,278
Interest income	5,472	5,298
Remeasurement of net defined liabilities		
— return on plan assets (excluding interest income)	5,166	18,754
Contributions from employer	15,100	14,711
Benefits already paid by the plan	(27,645)	(18,516)
Fair value of plan assets as of December 31,	\$ 540,618	542,525

4) Expenses recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current service costs	\$ 3,894	4,284
Net interest income of net defined benefit liabilities	11,063	10,982
Operating expected rate of return for the plan asset	(5,472)	(5,298)
	\$ 9,485	9,968
	2021	2020
Operating costs	\$ 5,633	6,145
Operating expenses	3,852	3,823
	\$ 9,485	9,968

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

- 5) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

	For the years ended December 31,	
	2021	2020
Balance as of January 1,	\$ 54,299	57,312
Recognized during the period	73,849	(3,013)
Balance as of December 31,	\$ 128,148	54,299

- 6) Actuarial assumptions

	December 31, 2021	December 31, 2020
Discount rate	0.50%	1.00%
Future salary increases	2.85%	2.85%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2021 is \$19,152.

The weighted average duration of the defined benefit plan is 14.3 years.

- 7) Sensitivity analysis

	Effect of defined benefit obligations	
	Increase amount	Decrease amount
December 31, 2021		
Discount rate (change 0.25%)	\$ 36,521	(35,056)
Future salaries (change 1%)	151,571	(131,565)
December 31, 2020		
Discount rate (change 0.25%)	37,838	(36,211)
Future salaries (change 1%)	159,749	(136,769)

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. The sensitivity analysis adopts the same methods for determining the defined benefit assets at balance sheet date.

The same methods and assumptions are adopted in the preparation of sensitivity analysis as in previous year.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(ii) Defined contribution plan

The Company contributes an amount equal to 6% of the employee' s monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Company' s pension costs under the contribution pension plan amounted to \$160,322 and \$151,699 for the years ended 2021 and 2020, respectively.

(l) Income tax

(i) The Company' s income tax expense recognized were as follows:

	For the years ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 5,315,259	1,397,212
Surtax on undistributed earnings	47,505	171,974
Adjustment for prior periods	(661,118)	(588,184)
Taxes on remitted earnings from subsidiary	22,524	103,526
Deferred tax expense	100,429	203,449
Tax expense	<u>\$ 4,824,599</u>	<u>1,287,977</u>

The Company' s income tax (gains) loss recognized directly in other comprehensive income were as follows:

	For the years ended December 31,	
	2021	2020
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit plan	\$ (18,462)	754
Unrealized gains on equity investments at fair value through other comprehensive income	(186)	-
	<u>\$ (18,648)</u>	<u>754</u>

Reconciliation of income tax expense and profit before tax were as follows:

	For the years ended December 31,	
	2021	2020
Income tax calculated based on local tax rate	\$ 5,534,723	1,794,804
Tax effect of permanent differences	(136,886)	(192,534)
Change in unrecognized temporary differences	17,851	(1,609)
Adjustment for prior periods	(661,118)	(588,184)
Taxes on remitted earnings from subsidiary	22,524	103,526
Surtax on undistributed earnings	47,505	171,974
Total	<u>\$ 4,824,599</u>	<u>1,287,977</u>

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Deferred tax assets :

	Impairment loss of assets	Improvements costs of environmental safety and factory facilities	Others	Total
Balance as of January 1, 2021	\$ 124,224	134,247	87,359	345,830
Recognized in loss	(24,090)	(31,371)	(20,250)	(75,711)
Recognized in other comprehensive income	-	-	18,648	18,648
Balance as of December 31, 2021	\$ 100,134	102,876	85,757	288,767
Balance as of January 1, 2020	\$ 155,102	165,032	229,899	550,033
Recognized in loss	(30,878)	(30,785)	(141,786)	(203,449)
Recognized in other comprehensive income	-	-	(754)	(754)
Balance as of December 31, 2020	\$ 124,224	134,247	87,359	345,830

2) Deferred tax liabilities :

	Unrealized gains (losses) on exchange
Balance as of January 1, 2021	\$ -
Recognized in loss	24,718
Balance as of December 31, 2021	\$ 24,718

(iii) The Company's income tax returns have been examined by the ROC tax authority through 2019.

(m) Capital and other equity

As of December 31, 2021 and 2020, the Company's government registered total authorized capital both amounted to \$300,000,000 with \$10 dollars par value per share, the number of ordinary shares both were 30,000,000 thousand shares and total paid-up ordinary share amounted to \$30,968,749, and \$30,935,939 respectively. All issued shares were paid up upon issuance.

The movements of shares outstanding for the years ended 2021 and 2020 were as follows:

(in thousand shares)

	Ordinary Shares	
	2021	2020
Balance as of January 1,	3,093,594	3,073,365
Exercise of employees share options	3,928	20,229
Retirement of treasury shares	(647)	-
Balance as of December 31,	3,096,875	3,093,594

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(i) Ordinary share

On February 26, May 5, August 4 and November 3, 2021, the Company's Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 2,841 thousand, 577 thousand, 72 thousand and 438 thousand ordinary shares at par value, respectively, with the issuing prices of \$28.5 to \$29.6, \$28.5, \$28.5 to \$29.6 and \$28.0 dollars per share, which totaled \$39,280. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2021, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 161 thousand ordinary shares, at issuing prices of \$28.0 dollars per share, which totaled \$4,508, which was recognized as advance receipts for share capital as of December 31, 2021.

On February 26, May 6, August 6 and November 4, 2020, the Company's Board of Directors approved to issue the Company's ordinary shares deriving from the exercise of employee share options. The Company had issued 632 thousand, 664 thousand, 17,951 thousand and 982 thousand ordinary shares at par value, with the issuing prices of \$29.2, \$29.2, \$28.5 to \$29.2, \$28.5, \$29.6 dollars per share, which totaled \$202,290. All issued shares were paid up upon issuance and the related process for registration had been completed.

For the fourth quarter of 2020, the Company's ordinary shares were derived from the exercise of employee share options. Accordingly, the Company had issued 1,271 thousand ordinary shares, at issuing prices of \$28.5 to \$29.6 dollars per share, which totaled \$36,264, which was recognized as advance receipts for share capital as of December 31, 2020.

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Premium from the issuance of stock	\$ 29,470,846	29,398,346
Treasure shares transactions	274,385	-
Employee stock option plans	2,790,727	2,790,727
Expired employee share option plans	268,292	262,499
Past due unclaimed dividends	202	79
Change in equity of associates accounted for using equity method	53	38
	<u>\$ 32,804,505</u>	<u>32,451,689</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the paid-up capital.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(iii) Retain earning

According to the Company's Articles of Incorporation, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof until the accumulated balance of legal reserve equals the total issued capital and any special reserves pursuant to relevant laws and regulations. The remainder, plus the undistributed earnings of the previous years, are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the annual stockholders' meeting.

As it belongs to a highly capital-intensive industry with strong growth potential, the Company adopts a dividend distribution policy which is in line with its plans for product line expansion and the demand of fund. This policy requires that the distribution of cash dividends shall not exceed 50% of the Company's total dividend distribution every year.

1) Legal reserve

When the Company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special reserve

In accordance with Ruling issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2020 and 2019 was approved in the general meeting of shareholders held on August 4, 2021 and May 28, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

For the year ended December 31, 2020	
	Dividends per share
	Amount
Dividends attributable to ordinary shareholders:	
Cash dividends	\$ 1.30 <u><u>4,000,000</u></u>

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	For the year ended December 31, 2019	
	Dividends per share	Amount
Dividends attributable to ordinary shareholders:		
Cash dividends	\$ 1.50	<u><u>4,600,000</u></u>

(iv) Treasury shares

The Company repurchased shares from the securities exchange market based on section 28(2) of the Securities and Exchange Act and the movement in treasury shares were as follows:

	Reasons for repurchase of shares	
	Transferring to employees	
	Thousand shares	Amount
Balance as of January 1, 2021	20,000	\$ 1,146,932
Transferring for the period	(19,353)	(1,109,829)
Retirement for the period	(647)	(37,103)
Balance as of December 31, 2021	-	\$ -
Balance as of January 1, 2020	<u><u>20,000</u></u>	<u><u>\$ 1,146,932</u></u>
(Balance as of December 31, 2020)		

On November 3, 2021, the Company's Board of Directors approved to retire 647 thousand treasury shares, resulting in a decrease in ordinary shares amounting to \$6,470. The Company recognized the decrease in capital surplus of \$30,633, on November 29, 2021 as the capital reduction, due to the book value being higher than the par value of the treasury shares. The related process for registration had been completed.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized losses from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2021	\$ (2,893,732)	(117,775)	(3,011,507)
Exchange differences on translation of foreign financial statements	(1,092,193)	-	(1,092,193)
Unrealized losses from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(12,499)	(12,499)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(743)	(743)
Balance as of December 31, 2021	<u><u>\$ (3,985,925)</u></u>	<u><u>(131,017)</u></u>	<u><u>(4,116,942)</u></u>

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized losses from financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2020	\$ (938,039)	(103,061)	(1,041,100)
Exchange differences on translation of foreign financial statements	(1,955,693)	-	(1,955,693)
Unrealized losses from financial of assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(14,714)	(14,714)
Balance as of December 31, 2020	<u>\$ (2,893,732)</u>	<u>(117,775)</u>	<u>(3,011,507)</u>

(n) Share-based payment transactions

As of December 31, 2021, the Company had 6 share-based payment arrangements as follows:

	The 8 th batch of Employee Stock Option Plan	The 9 th batch of Employee Stock Option Plan	The 1 th batch of Treasury Shares Transferred to Employees	The 2 th batch of Treasury Shares Transferred to Employees	The 3 th batch of Treasury Shares Transferred to Employees	The 4 th batch of Treasury Shares Transferred to Employees
Grant date	2016.5.10	2016.8.11	2021.1.15	2021.2.2	2021.8.12	2021.10.22
Grant unit	97,500	2,500	3,936	4,064	5,587	6,413
Exercise price (dollar) (Notes1~6)	38.0	36.6	57.4	57.4	57.4	57.4
Deal period	8 years	8 years	-	-	-	-
Vested Conditions	Duration of two years duration and at certain proportion	Duration of two years duration and at certain proportion	Immediately vested	Immediately vested	Immediately vested	Immediately vested

Note 1: The Company approved to distribute its cash dividends in 2016. As a result, the exercise price of the 8th batch of the employee stock option plan were adjusted to \$35.3 dollars, in accordance with the offering and exercising terms and conditions of ESOP.

Note 2: The Company approved to distribute its cash dividends in 2017. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$34.3 dollars and \$35.5 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 3: The Company approved to distribute its cash dividends in 2018. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$33.1 dollars and \$34.3 dollars, respectively, in accordance with the offering and exercising terms and conditions of ESOP.

Note 4: The Company approved to distribute its cash dividends in 2019. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$29.2 dollars and \$30.3 dollars, respectively in accordance with the offering and exercising terms and conditions of ESOP.

Note 5: The Company approved to distribute its cash dividends in 2020. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$28.5 dollars and \$29.6 dollars, respectively in accordance with the offering and exercising terms and conditions of ESOP.

Note 6: The Company approved to distribute its cash dividends in 2021. As a result, the exercise price of the 8th and 9th batch of the employee stock option plan were adjusted to \$28.0 dollars and \$29.1 dollars, respectively in accordance with the offering and exercising terms and conditions of ESOP.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

- (i) Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	The 8 th batch of Employee Stock Option Plan	The 9 th batch of Employee Stock Option Plan	The 1 st batch of Treasury Shares Transferred to Employees	The 2 nd batch of Treasury Shares Transferred to Employees	The 3 rd batch of Treasury Shares Transferred to Employees	The 4 th batch of Treasury Shares Transferred to Employees
Dividend rate	- %	- %	- %	- %	- %	- %
Expected volatility	55.47%	45.80%	48.33%	50.77%	40.01%	34.15%
Risk-free rate	0.5728%	0.529%	0.1690%	0.0950%	0.1090%	0.2040%
Fair value of unit stock option (dollar)	\$ 18.77	15.30	28.80	29.50	9.00	5.00

Expected volatility is based on weighted average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. Expected dividend and risk-free rate is determined based on government bonds.

- (ii) Relevant information of employee stock option plans and the transfer of treasury stock

	For the years ended December 31,			
	2021		2020	
	Weighted-average exercise (price TWD)	Number of options (Units)	Weighted-average exercise (price TWD)	Number of options (Units)
Outstanding as of January 1,	\$ 28.51	4,462	29.22	28,202
Options granted	57.40	20,000	-	-
Options exercised	53.66	(22,171)	28.52	(21,381)
Options forfeited	28.51	(13)	28.55	(2,359)
Options expired	56.79	(647)	-	-
Outstanding as of December 31,	28.02	<u>1,631</u>	28.51	<u>4,462</u>
Options exercisable as of December 31,	28.02	<u>1,631</u>	28.51	<u>4,462</u>

Further details of the outstanding stock options of the Company as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Range of exercise price (dollar)	28.0~29.1	28.5~29.6
Weighted average of remaining option plan period (year)	2.35~2.61	3.35~3.61

- (iii) Compensation cost

	For the years ended December 31,	
	2021	2020
Compensation cost arising from share options granted to employees	\$ -	58,420
Compensation cost arising from treasury shares transferred to employees	313,110	-
	<u>\$ 313,110</u>	<u>58,420</u>

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(o) Earnings per share

	For the years ended December 31,	
	2021	2020
Basic earnings per share :		
Net profit attributable to the Company's ordinary shareholders	\$ 22,849,015	7,686,041
Weighted-average number of ordinary shares outstanding (basic)	3,087,329	3,065,482
Basic earnings per share (dollar)	\$ 7.40	2.51
Diluted earnings per share:		
Net profit attributable to the Company's ordinary shareholders (basic and diluted)	\$ 22,849,015	7,686,041
Effect of potentially dilutive ordinary shares		
Weighted-average number of ordinary shares (basic)	3,087,329	3,065,482
Effect of employee stock option	1,451	8,474
Effect of employee remuneration	20,798	8,408
Weighted-average number of ordinary shares (diluted)	3,109,578	3,082,364
Diluted earnings per share (dollar)	\$ 7.35	2.49

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2021	For the year ended December 31, 2020
	Manufacturing department	Manufacturing department
Geographic markets of primary destination:		
Taiwan	\$ 28,692,474	18,120,076
Japan	5,899,564	3,777,093
China	31,198,947	25,456,947
USA	12,062,287	9,262,938
Other countries	7,627,970	4,083,336
	\$ 85,481,242	60,700,390
Major products line:		
Dynamic Random Access Memory (DRAM)	\$ 85,352,631	60,562,260
Others	128,611	138,130
	\$ 85,481,242	60,700,390

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(i) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable-related parties from non-operating activities	\$ -	-	41,545
Accounts receivable (including related parties)	12,207,133	8,235,352	7,466,062
Total	<u>\$ 12,207,133</u>	<u>8,235,352</u>	<u>7,507,607</u>

For details on notes and accounts receivable (including related parties), and loss allowance for impairment, please refer to note 6(b).

(q) Remuneration to employees

According to the Company's articles of incorporation, if the Company makes a profit, it should appropriate for employee compensation which is calculated based on 1% to 12% of the Company's net income before tax before deduction of employee compensation, and after offsetting accumulated deficits, if any, should be distributed as employee compensations. Employees who are entitled to receive the above-mentioned employee compensation, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The estimated employee remuneration which was charged to profit or loss under operating costs or expense amounted to \$1,550,000 and \$600,000 for the years ended 2021 and 2020, respectively. This employee remuneration was estimated based on the Company's net income before tax before deducting any employee compensation, according to the earnings allocation method as stated under the Company's articles of association. If there is any difference between the actual amounts and the estimated amounts of employee remuneration to employees after the financial reports are issued, the management of the Company is expecting that the differences will be treated as a change in accounting estimates and recognized through profit or loss in the following year. Related information would be available at the Market Observation Post System website.

There is no difference between the estimated amounts of employee remuneration for the year ended December 31, 2021 and 2020 and the financial statements for the year ended December 31, 2021 and 2020, which were approved by the Company's Board of Directors.

(r) Non-operating income and expenses

(i) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits and short-term notes	\$ 64,027	49,393
Interest income from financial lease receivables	57,880	78,316
	<u>\$ 121,907</u>	<u>127,709</u>

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(ii) Other gains and losses

	For the years ended December 31,	
	2021	2020
Withholding tax refund	\$ 45,528	-
Loss on disposal of property, plant and equipment	(8,814)	(6,633)
Foreign exchange losses	(438,534)	(699,836)
Impairment loss on non-financial assets	(31,640)	-
Others	124,331	178,588
	\$ (309,129)	(527,881)

(iii) Finance costs

	For the years ended December 31,	
	2021	2020
Amortization interest of lease liabilities	\$ 23,653	12,833
Others	14	190
	\$ 23,667	13,023

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

2) Concentration of credit risk

The majority of Company's customers are mostly those in the high-tech industry. In order to reduce accounts receivable credit risk, the Company continuously assesses the financial condition of its customers. If it is necessary, the Company will ask for guarantees or warranties. The Company still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management's evaluation of the overall amounts of bad debts.

As of December 31, 2021 and 2020, the Company's major customers consisted of six and eight customers which accounted for 72.14% and 75.46%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risk of receivables

For credit risk exposure of receivables (including related parties), please refer to note 6(b).

Other financial assets measured at amortized cost includes other receivables, time deposits and refundable deposits.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

Considering that the Company deals only with other external parties with good credit standing and with the above investment grade financial institutions, all of the above financial assets are considered to have low credit risk.

As of December 31, 2021 and 2020, no allowance for impairment was provided because there was no indication of credit-impaired for the 12-month ECL or lifetime ECL allowance for other financial assets measured at amortized cost.

(ii) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 2,849,233	2,849,233	2,849,233	-	-	-	-
Other payable (including related parties)	7,873,994	7,873,994	7,873,994	-	-	-	-
Lease liabilities (including current portion)	1,724,601	1,822,315	118,330	118,330	236,536	636,911	712,208
	\$ 12,447,828	12,545,542	10,841,557	118,330	236,536	636,911	712,208
December 31, 2020							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 2,111,774	2,111,774	2,111,774	-	-	-	-
Other payable (including related parties)	5,281,268	5,281,268	5,281,268	-	-	-	-
Lease liabilities (including current portion)	1,796,084	1,914,405	100,758	100,758	201,516	604,549	906,824
Total	\$ 9,189,126	9,307,447	7,493,800	100,758	201,516	604,549	906,824

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars	Foreign currency (in thousands)	Foreign rate (dollars)	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	\$ 1,024,412	27.690	28,365,968	367,526	28.508	10,477,431
JPY	5,605,835	0.2404	1,347,643	3,490,741	0.2724	950,878
EUR	242	31.3613	7,589	42	34.560	1,452
HKD	1,012	3.5446	3,587	1,379	3.626	5,000
Financial liabilities:						
Monetary items						
USD	\$ 133,898	27.690	3,707,636	115,140	28.508	3,282,411
JPY	1,046,703	0.2404	251,627	1,272,668	0.2724	346,675
EUR	9,066	31.3613	284,322	150	34.560	5,184

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from translation of the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable (including related parties), accounts payable, and other payables (including related parties) which are denominated in different foreign currencies. A 1% appreciation and depreciation of the TWD against the USD, EUR, and JPY as of December 31, 2021 and 2020 would have decreased and increased the net income before tax by \$254,812 and \$78,005 for the years ended 2021 and 2020, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis.

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$438,534 and \$699,836, respectively.

(iv) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,	
	2021	2020
Prices of securities at the reporting date	Other comprehensive income after tax	Other comprehensive income after tax
Increase 1%	\$ 89	-
Decrease 1%	(89)	-

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The Company's financial assets measured at fair value through other comprehensive income was measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities (including the information on fair value hierarchy; but excluding financial instruments were not measured at fair value whose carrying amount were reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required) were as follows:

	December 31, 2021				
	Fair Value				Total
	Book Value	Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income:					
Equity instruments without an market price measured at fair value	\$ 11,071	-	-	11,071	11,071

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 35,267,599	-	-	-	-
Accounts receivable (including related parties)	12,207,133	-	-	-	-
Other receivables	728,346	-	-	-	-
Lease payments receivable (including current portion)	483,436	-	-	-	-
Total	\$ 48,697,585	-	-	11,071	11,071
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 2,849,233	-	-	-	-
Other payables (including related parties)	7,873,994	-	-	-	-
Lease liabilities (including current portion)	1,724,601	-	-	-	-
Total	\$ 12,447,828	-	-	-	-
December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost :					
Cash and cash equivalents	\$ 16,573,114	-	-	-	-
Accounts receivable (including related parties)	8,235,352	-	-	-	-
Other receivables	1,249,639	-	-	-	-
Lease payments receivable (including current portion)	689,886	-	-	-	-
Total	\$ 26,747,991	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 2,111,774	-	-	-	-
Other payables (including related parties)	5,281,268	-	-	-	-
Lease liabilities-current (including current portion)	1,796,084	-	-	-	-
Total	\$ 9,189,126	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

The category and attribute of the Company's financial instruments without an active market were as follows:

- Equity instruments without an active market price: Measurements of fair value of financial instruments without an active market price are calculated using the net asset value method, which is measured according to the main assumption based on the equity value of the investee's net asset. The estimation has already been adjusted in accordance with the discount on the lack of marketability of the equity stock

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

3) Transfer between levels

For the years ended December 31, 2021 and 2020, there was no transfer from financial assets.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance as of January 1, 2021	\$ -
Purchased	12,000
Total losses recognized in other comprehensive income	(929)
Balance as of December 31, 2021	\$ 11,071
Balances as of January 1, 2020 (and December 31, 2020)	\$ -

For the years ended December 31, 2021 and 2020, total losses that were included in “unrealized losses from financial assets at fair value through other comprehensive income” were as follows:

	2021	2020
Total losses recognized in other comprehensive income, and presented in “unrealized losses from financial assets at fair value through other comprehensive income”	\$ (743)	-

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value “fair value through other comprehensive income – equity investments” .

The Company’s investment in equity instruments without an active market have only one significant unobservable input.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Asset method	<ul style="list-style-type: none"> • Net asset value • The discount rate due to lack of marketability as of December 31, 2021 was 5% 	<ul style="list-style-type: none"> • The higher the discount for lack of marketability, the lower the fair value.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

- 6) Fair value measurement in Level 3 - sensitivity analysis of the possible alternative assumptions

The valuation models and assumptions used to measure the fair value of the financial instruments is reasonable. However, the use of different valuation models or assumptions may result in different measurements. The effects of changes in assumptions for financial instruments, whose fair value measurements were categorized as Level 3, were as follows:

			Effects of changes in fair value on other comprehensive income	
			Favorable change	Unfavorable change
December 31, 2021	Inputs	Increase or decrease		
Financial assets at fair value through other comprehensive income equity investments without an active market	Discount for lack of marketability	1%	117	(117)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(t) Financial risk management

(i) Nature and extent

The Company has the following exposure risks for holding certain financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following further discloses detailed information about exposure risk arising from the aforementioned risks and the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these exposure risks, please refer to the respective notes in the financial statements.

(ii) Framework of risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, bank deposits and investments.

1) Accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Company; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and investments. Major components of this impairment allowance are specific loss component that is related to individually significant exposure and collective loss component where the loss is incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. Considering that the Company deals only with banks and other external parties with good credit standing and with above investment grade financial institutions, corporate and partnership organization and government agencies, management is not expecting non-compliance issues and significant credit risk.

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2021 and 2020, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, the Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalents, securities with high liquidity and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

The Company has unused bank facilities for \$23,192,000 and \$20,072,000 as of December 31, 2021 and 2020.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives in order to reduce market risks. All these transactions are made in accordance with the risk management policy.

1) Currency risk

The Company's exposure to currency risk is on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD, JPY, EUR and HKD.

2) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios.

(u) Capital management

The Company's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the Company's equity.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

The Company may adjust the payment of dividend to shareholders, return cash to shareholders through capital reduction, issue new shares or sell held for sale assets in order to pay off its liabilities. Likewise, the Company monitors its debt-to-capital ratio which serves as the basis to control capital, the same practice as the other companies in the industry. The Company's debt-to-capital ratio on reporting date was as follows:

	December 31, 2021	December 31, 2020
Total Liabilities	\$ 18,348,740	11,812,445
Deduct: cash and cash equivalents	(35,267,599)	(16,573,114)
Net liabilities	\$ (16,918,859)	(4,760,669)
Total equity	\$ 172,978,068	153,812,027
Debt-to-capital ratio	(9.78)%	(3.10)%

The Company has not changed its capital management strategy as of December 31, 2021.

(v) The investing and financing activities on non-cash transactions

The Company's investing and financing activities on non-cash transactions for the years ended 2021 and 2020 were as follows:

(i) Acquisition of right-of-use asses by lease, please refer to Note6(h)

(ii)

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 11,345,914	8,337,644
Add: Payables on equipment at beginning of period	693,313	973,002
Less: Payables on equipment at end of period	(785,854)	(693,313)
Others	-	(167,843)
Cash Paid	\$ 11,253,373	8,449,490

	For the years ended December 31,	
	2021	2020
(iii) Retirement of treasury shares	\$ 37,103	-

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(iv) Reconciliation of liabilities arising from financing activities were as follows:

			Non-Cash changes			December 31, 2021
			Changes in an index of lease payments	Increased	Increased by other payables	
	January 1, 2021	Cash flow				
Lease liabilities	\$ 1,796,084	(188,376)	17,429	99,811	(347)	1,724,601

			Non-Cash changes			December 31, 2020
			Increased	Increased by other payables	Interest expense	
	January 1, 2020	Cash flow				
Lease liabilities	\$ 99,924	(188,459)	1,884,277	(70)	412	1,796,084

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Nanya Technology Corp. U.S.A.	The Company' s subsidiary
Nanya Technology Corp. Delaware	The Company' s subsidiary
Nanya Technology Corp. H.K.	The Company' s subsidiary
Nanya Technology Corp. Japan	The Company' s subsidiary
Nanya Technology International, Ltd.	The Company' s subsidiary
Nanya Technology Corp. Europe GmbH	The Company' s subsidiary
Nanya Technology Corp. Shenzhen	The Company' s subsidiary
Nan Ya Photonics Incorporation	The Company' s other related parties
Formosa Sumco Technology Corporation	The Company' s other related parties
Formosa Advanced Technologies Co., Ltd.	The Company' s associates
Formosa Technologies Corporation	The Company' s other related parties
Formosa Biomedical Technology Corp.	The Company' s other related parties
Formosa Petrochemical Corporation	The Company' s other related parties
Formosa Plastics Corporation	The Company' s other related parties
Formosa FCFC Carpet Corporation	The Company' s other related parties
Formosa Waters Technology Co., Ltd.	The Company' s other related parties
Nan Ya Plastics Corporation	The entity with significant influence over the Company
Min Chi University of Technology	The Company' s other related parties

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NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(b) Significant related-party transactions

(i) Sales to related parties

	Sales		Accounts receivable to related parties	
	For the years ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Subsidiaries				
Nanya Technology Corp. USA	\$ 11,944,306	9,211,321	2,880,267	1,436,308
Other Subsidiaries	11,177,075	6,613,016	1,950,677	1,243,457
Associates	-	9,271	-	8,237
Total	<u>\$ 23,121,381</u>	<u>15,833,608</u>	<u>4,830,944</u>	<u>2,688,002</u>

The selling prices and collection terms for the sales to related parties above are not significantly different from those third-party customers, and the normal credit term with the related parties above is O/A 60 to 180 days and due for collection on the 15th day of the month following the month of delivery of goods sold. There is no collateral received among related parties accounts receivable. However, not expected credit loss is necessary based on the result of management's evaluation.

(ii) Purchase from related parties

	Purchases		Accounts payable to related parties	
	For the years ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Entities with significant influence over the Company	\$ 121,418	89,770	12,764	9,686
Associates	852	801	-	-
Other related parties:				
Formosa Sumco Technology Corporation	661,913	573,342	97,938	71,257
Other related parties	270,612	233,946	8,812	3,735
Total	<u>\$ 1,054,795</u>	<u>897,859</u>	<u>119,514</u>	<u>84,678</u>

The purchase price and payment terms for the purchase from related parties above are not significantly different from those with third party vendors, and the average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(iii) Consigned out for processing

	Amount		Other payables to related parties	
	For the years ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Associates	<u>\$ 7,773,589</u>	<u>7,136,528</u>	<u>1,221,034</u>	<u>1,049,080</u>

The term of transactions with the related parties above is 60 days after the end of each month when processed consigned goods are received.

(iv) Service received

Relationship	Other gains		Administrative expenses		Other payables to related parties	
	For the years ended December 31,		For the years ended December 31,		December 31,	December 31,
	2021	2020	2021	2020	2021	2020
Subsidiaries						
Nanya Technology Corp. USA	\$ 278	288	-	-	-	-
Nanya Technology Corp. Europe GmbH	166	171	-	-	-	-
Nanya Technology Corp. Shen zhen	-	-	51,880	53,955	3,945	3,532
Nanya Technology Corp. Delaware	139	144	440,475	467,288	56,531	46,251
Nanya Technology Corp. Japan	-	-	2,039	1,165	-	-
	<u>\$ 583</u>	<u>603</u>	<u>494,394</u>	<u>522,408</u>	<u>60,476</u>	<u>49,783</u>

(v) Property transactions

1) Acquisition of equipment:

	Acquisition price		Other payables to related parties	
	For the years ended December 31,		December 31,	December 31,
	2021	2020	2021	2020
Entities with significant influence over the Company	\$ 32,371	40,550	8,093	20,830
Other related parties	9,718	-	8,088	-
	<u>\$ 42,089</u>	<u>40,550</u>	<u>16,181</u>	<u>20,830</u>

2) Acquisition of Financial Assets

Relationship	Account	For the year ended December 31, 2021		
		Number of shares of transaction (in thousands)	Item of transaction	Acquisition price
Subsidiary	Investments accounted for using equity method	0.4	Shares of Nanya Technology International, Ltd.	<u>\$ 11,141,200</u>

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(vi) Lease contracts

Relationship	Acquisition price	
	For the years ended	
	December 31,	
	2021	2020
Entities with significant influence over the Company	\$ 65,134	62,391

The rentals charged to the entities with significant influence over the Company are determined based on the local market prices, and rents are paid monthly.

The Company entered into 9 to 10 years lease agreements between July and August 2020, as well as a 3 year lease agreement in July 2017, with Nan Ya Plastics Corporation, at the total values of \$2,015,018 and \$617,862, respectively. Also, for the years ended December 31, 2021 and 2020, the Company recognized the amounts of \$23,290 and \$12,833, respectively, as interest expenses. Furthermore, on December 31, 2021 and 2020, the balances of lease liabilities amounted to \$1,633,479 and \$1,796,084, respectively. In additions, for the year ended December 31, 2021 and 2020, the Company recognized the additions of the right of use asset amounting to \$0 and \$1,884,277, respectively.

The Company entered into a 3-year lease agreement in December 2021 with Min Chi University of Technology, at the total values of \$50,198. Also, for the year ended December 31, 2021, the Company recognized the amount of \$43, as interest expense. Furthermore, on December 31, 2021, the balance of lease liability amounted to \$49,352.

Please refer to Note 6(h) for the details on right of use assets above.

(vii) Others

	Other income	
	December 31,	
	2021	2020
Associates	\$ 602	3,635

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended	
	December 31,	
	2021	2020
Short-term employee benefits	\$ 46,749	55,141
Share-based payment	5,696	702
	\$ 52,445	55,843

Please refer to Note 6(n) for the details of share-based payment.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(8) Pledged assets: None

(9) Commitments and contingencies:

(a) Significant commitments

	December 31, 2021	December 31, 2020
Guarantees for importation goods provided by bank	\$ 835,000	935,000
Unused letters of credit	112,321	660,779
Total	<u>\$ 947,321</u>	<u>1,595,779</u>

(b) Contingent liabilities

- (i) In 2000, the Company was charged by Brazil's Ministry of Justice as being involved in the International Monopolies, which influences Brazil's DRAM market. Consequently, the Company, other large international companies and individuals are investigated at the same time. The lawsuit was in a court hearing. The Company has engaged counsels to properly handle it to ensure the Company's rights.
- (ii) In October 2016, Lone Star Silicon Innovations LLC (Lone Star) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of East Texas for patent infringement. The lawsuit was dismissed in April 2021, therefore it was closed.
- (iii) In November 2019, Monterey Research LLC (Monterey) filed a lawsuit against Nanya Technology Corp. (Nanya) and two of its subsidiaries, Nanya Technology Corp., USA (NTC USA) and Nanya Technology Corp., Delaware (NTC Delaware), to the US District Court of Delaware for patent infringement. The Company has engaged counsels to properly handle it to ensure the Company's rights.
- (iv) The original Joint Venture agreement signed by the Company, Micron Technology, Inc. and its related parties was terminated after Micron Semiconductor Co. completed its share-swap with Micron Technology Taiwan. Both parties had mutually agreed to sign a cooperation agreement, the details of the agreement were as follows:
 - 1) The estimated cost for improving specific environmental safety and factory facilities in mutually operating period of joint venture agreement amounted to US\$54,030 thousand; the Company agreed to share the 50% portion of the total costs and accrued it as expense of \$850,000 (USD27,015 thousand) to other payable. The Company will share the cost based on the actual amounts at the appointed time. As of December 31, 2021 and 2020, the payment amounting to \$357,800 and \$200,950 had been recognized by the Company, respectively.
 - 2) The Company agreed to share the 50% portion of the total losses for penalty, improving costs and suspending operation before the date of share-swap in the following two to five years due to an existing event of environmental safety and factory facilities which violated the laws.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to the Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salaries	3,719,161	2,471,749	6,190,910	2,955,084	1,823,776	4,778,860
Labor and health insurance	208,937	108,991	317,928	194,298	90,411	284,709
Pension expenses	100,824	68,983	169,807	99,661	62,006	161,667
Remuneration of directors	-	6,610	6,610	-	6,500	6,500
Other personnel expenses	70,520	32,752	103,272	73,204	30,092	103,296
Depreciation expenses	14,531,453	491,962	15,023,415	13,773,731	430,796	14,204,527
Amortization expenses	260,025	-	260,025	236,477	-	236,477

The Company's number of employees and additional information on employee benefits for the years ended December 31, 2021 and 2020 are as follows :

	For the years ended December 31,	
	2021	2020
Number of employees	<u>3,470</u>	<u>3,397</u>
Number of directors who were not employees	<u>8</u>	<u>8</u>
The average employee benefit	<u>\$ 1,959</u>	<u>1,572</u>
The average salaries and wages	<u>\$ 1,788</u>	<u>1,410</u>
Changes of the average salaries and wages	<u>26.81%</u>	<u>(3.69)%</u>
Remuneration to supervisor	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policies (including directors, managers, and employees) are as follows:

The Company established a remuneration committee to monitor its directors and executives, and to protect the rights of its shareholders and employees. Also, the Company formulates the policies, standards and structures of remuneration, to regularly examine the performance of directors and executives. Furthermore, the Company aims to attract and hold talented employees through providing competitive salaries.

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2021:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Mesh Cooperative Ventures Fund LP	-	Financial assets measured at fair value through other comprehensive income — non-current	-	11,071	2.46%	11,071	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars / shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance		Note
					Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Price	Cost	Gain on disposal	Shares (thousand)	Amount	
Nanya Technology International, Ltd.	Stocks	Investment accounted for using equity method	Nanya Technology International, Ltd.	Subsidiary	1.2	34,357,493	0.4	11,141,200	-	-	-	-	1.6	44,369,801	

- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the Company's paid-in capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the Company's paid-in capital: None
- (vii) Related-party transaction for purchases and sales for which amounts exceeding the lower of \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	(Sale)	(11,944,306)	(13.97)%	O/A 60~90Days	-		2,880,267	23.59%	
The Company	Nanya Technology Corp., Japan	Subsidiary	(Sale)	(5,899,564)	(6.90)%	O/A 180Days	-		774,240	6.34%	
The Company	Nanya Technology Corp., Europe GmbH	Subsidiary	(Sale)	(5,109,182)	(5.98)%	O/A 60~90Days	-		1,143,206	9.37%	
The company	Nanya Technology Corp., HK	Subsidiary	(Sale)	(168,328)	(0.20)%	O/A 60~90 Days	-		33,231	0.27%	
Nanya Technology Corp. Delaware	Nanya Technology Corp.	The parent company	(Sale)	(437,508)	(100.00)%	O/A 60~90 Days	-		56,531	100.00%	-
Nanya Technology Corp., U.S.A.	Nanya Technology Corp	The parent company	Purchase	11,944,306	100.00%	O/A 60~90Days	-		(2,880,267)	(100.00)%	-
Nanya Technology Corp., Japan	Nanya Technology Corp	The parent company	Purchase	5,899,564	100.00%	O/A 180Days	-		(774,240)	(100.00)%	

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Nanya Technology Corp., Europe GmbH	Nanya Technology Corp	The parent company	Purchase	5,109,182	100.00%	O/A 60~90Days	-		(1,143,206)	(100.00)%	
Nanya Technology Corp., HK	Nanya Technology Corp	The parent company	Purchase	168,328	100.00%	O/A 60~90Days	-		(33,231)	(100.00)%	
The Company	Formosa Sumco Technology Corporation	Other related company	Purchase	661,913	5.35%	O/A 60Days	-		(97,938)	(3.44)%	
The Company	Formosa Biomedical Technology Corp.	Other related company	Purchase	186,979	1.51%	Payment after arrival and inspection of goods	-		(6,858)	(0.24)%	-
The Company	Nan Ya Plastics Corporation	The entity with significant influence over the Company	Purchase	121,418	0.98%	Payment after arrival and inspection of goods	-		(12,764)	(0.45)%	

(viii) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the Company's paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Account receivable from related parties	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Nanya Technology Corp., U.S.A.	Subsidiary	2,880,767	5.53	-	-	1,241,775	-
The Company	Nanya Technology Corp., Japan	Subsidiary	774,240	7.79	-		420,874	-
The Company	Nanya Technology Europe GmbH	Subsidiary	1,143,206	6.35	-		465,832	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars / Thousands Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousand)	Percentage of ownership	Carrying value			
The Company	Nanya Technology Corp., U.S.A.	U.S.A	Sales of semiconductor products	20,392	20,392	2.4	100.00%	52,347	23,630	23,630	Note 1
The Company	Nanya Technology Corp., Delaware	U.S.A	Design of semiconductor products	36,005	36,005	-	100.00%	183,208	16,339	16,339	Note 1
The Company	Nanya Technology Corp., HK	Hong Kong	Sales of semiconductor products	66,271	66,271	19.7	100.00%	77,118	12,890	12,890	Note 1
The Company	Nanya Technology Corp., Japan	Japan	Sales of semiconductor products	20,161	20,161	1	100.00%	244,686	103,773	103,773	Note 1
The Company	Formosa Advanced Technologies Co., Ltd.	Yunlin County, Taiwan	Assembling, testing and producing modules for IC	5,099,482	5,099,482	141,511	32.00%	5,339,031	1,557,009	520,977	Note 3
The Company	Nanya Technology International, Ltd.	British Virgin Island	General investment business	48,145,600	37,004,400	1.6	100.00%	44,369,801	148,456	148,456	Note 1
Nanya Technology Corp., HK	Nanya Technology Europe GmbH	Germany	Sales of semiconductor products	30,056	30,056	-	100.00%	72,107	7,910	7,910	Note 2

Note 1: As subsidiary

Note 2: As sub-subsidiary

Note 3: As investee company accounted for using equity method

(Continued)

NANYA TECHNOLOGY CORPORATION

Notes to Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Nanya Technology Corp., Shenzhen	Sales of semiconductor products	27,275 (USD985 thousand)	(2)	27,275 (USD985 thousand)	-	-	27,275 (USD985 thousand)	3,889	100.00%	3,889 (Note 2)	23,024	-

Note 1 : Three types of investments were as follows:

- (1) Investing directly in Mainland China
- (2) Investing the companies in Mainland China through third parties.
- (3) Others

Note 2: The financial statements were reviewed by a certified public accountant of the Taiwanese parent company.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 2)
27,275 (USD985 thousand)	27,275 (USD985 thousand)	103,786,841

Note 1 : The exchange rate of New Taiwan dollars to US dollars on December 31, 2020 was USD1 : TWD 27.69.

Note 2 : 60% of net equity.

(iii) Significant transactions: None

(a) Information on major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
Nan Ya Plastics Corporation		907,303,775	29.29%
Formosa Chemicals & Fibre Corporation		334,815,409	10.81%
Formosa Plastics Corporation		334,815,409	10.81%
Formosa Petrochemical Corp		334,815,409	10.81%

Note 1: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider' s equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2021.

Nanya Technology Corporation

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Cash on hand	Pretty cash	\$ 4	
Cash in bank	Checking Account	11,820	
	Demand deposits	11,966,845	
	Foreign currency deposits	5,413,768	(Note1)
Cash Equivalents	Time deposits	13,686,093	(Note2)
Repurchase bonds		2,378,765	(Note3)
Commercial paper		1,810,304	(Note4)
Total		<u>\$ 35,267,599</u>	

Note 1	Original currency (in thousand)	currency rate
	USD 174,548	27.690
	JPY 2,385,202	0.2404
	EUR 113	31.36
	HKD 1,012	3.5446

Note 2	Original currency (in thousand)	Currency rate	Maturity	Interest rate
	USD 440,090	27.6900	2022.1.06~2022.2.10	0.11%~0.30%
	TWD 1,500,000	1.0000	2022.1.19~2022.3.01	0.33%~0.35%

Note 3	Original currency (in thousand)	Maturity	Interest rate
	TWD 2,378,765	2022.1.05~2022.1.21	0.23%~0.37%

Note 4	Original currency (in thousand)	Maturity	Interest rate
	TWD 1,810,304	2022.1.03 ~ 2022.1.12	0.25%~0.27%

Nanya Technology Corporation
Statement of trade receivables
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Clients</u>	<u>Amount</u>
Non-related parties:	
MediaTek Inc.	\$ 2,296,740
WPI International Co.	881,878
Techmosa International Inc.	830,154
WT Microelectronics Co., Ltd	536,115
KINGSTON	496,324
Other (Less than 5% of the ending balance)	<u>2,334,978</u>
Total	<u><u>\$ 7,376,189</u></u>

Nanya Technology Corporation
STATEMENT OF INVENTORIES
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Items	Amount	
	Cost	Net Realizable value
Raw materials	\$ 641,996	641,996
Work in process	7,364,481	7,364,481
Finished goods	<u>3,461,330</u>	<u>3,461,330</u>
Total	<u><u>\$ 11,467,807</u></u>	<u><u>11,467,807</u></u>

Nanya Technology Corporation

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Additions		Disposals		Others (Note2)	Income from investments	Ending Balance			Guarantee or pledge
	Number of Shares	Amount	Number of Shares	Amount (Note1)	Number of Shares	Amount (Note 1)			Number of Shares	Percentage of ownership	Amount	
Nanya Technology Corp, USA	2,400	\$ 168,554	-	-	-	-	(124,228)	23,630	2,400	100.00 %	67,956	Nil
Nanya Technology Corp, Delaware	1	183,368	-	-	-	-	-	16,339	1	100.00 %	199,707	Nil
Nanya Technology Corp, HK	19,699	78,095	-	-	-	-	-	12,890	19,699	100.00 %	90,985	Nil
Nanya Technology Corp, Japan	1,000	190,353	-	-	-	-	(117)	103,773	1,000	100.00 %	294,009	Nil
Formosa Advanceed Technologies Co., Ltd.	141,511,000	5,160,505	-	-	-	325,475	(16,976)	520,977	141,511,000	32.00 %	5,339,031	Nil
Nanya Technology International, Ltd	1,200	37,197,799	400	11,141,200	-	227,027	-	148,456	1,600	100.00 %	48,260,428	Nil
Subtoatl		42,978,674		11,141,200		552,502	(141,321)	826,065			54,252,116	
Add: Exchange differences on translation of foreign financial statements												
Nanya Technology Corp, USA		(10,478)		-		-	(5,131)	-			(15,609)	
Nanya Technology Corp, Delaware		(11,376)		-		-	(5,123)	-			(16,499)	
Nanya Technology Corp, HK		(7,480)		-		-	(6,387)	-			(13,867)	
Nanya Technology Corp, Japan		(24,092)		-		-	(25,231)	-			(49,323)	
Nanya Technology International, Ltd		(2,840,306)		-		-	(1,050,321)	-			(3,890,627)	
Subtoatl		(2,893,732)		-		-	(1,092,193)	-			(3,985,925)	
		<u>\$ 40,084,942</u>		<u>11,141,200</u>		<u>552,502</u>	<u>(1,233,514)</u>	<u>826,065</u>			<u>50,266,191</u>	

Note1 : The amounts consisted of cash dividend.

Note2 : The amounts consisted of unrealized net profit or loss from sales amounting to \$(124,345), share of other comprehensive income of associates accounted for using equity method amounting to \$(16,991),and changes in Capital surplus amounting to \$15.

Nanya Technology Corporation
STATEMENT OF TRADE PAYABLES
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Accounts O/A payable	\$ 720,529
Accounts raw material and supplies payable	1,952,852
Others (Less than 5% of the ending balance)	<u>56,338</u>
Total	<u><u>\$ 2,729,719</u></u>

STATEMENT OF OTHER PAYABLES

<u>Items</u>	<u>Amount</u>
Salaries payable	\$ 2,488,724
Royalty Payable	2,102,968
Consigned out for processing	697,450
Others (Less than 5% of the ending balance)	<u>1,287,161</u>
	<u><u>\$ 6,576,303</u></u>

Nanya Technology Corporation
STATEMENT OF OPERATING COSTS
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Beginning balance of year for raw materials	\$ 350,906
Add: raw materials purchased	12,376,681
Ending balance of year for raw materials	(641,996)
Add: Others	408,500
Less: Reclassified to manufacturing and operating expenses	<u>(4,539,994)</u>
Usage material	7,954,097
Direct labor	550,883
Manufacturing expenses	<u>39,476,332</u>
Manufacturing Costs	47,981,312
Beginning balance of year for work in progress	6,578,665
Add: Transferred from finished goods	6,844,012
Less: Reclassified to operating expenses	(2,612,094)
Ending balance of year for work in progress	<u>(7,364,481)</u>
Cost of finished goods	51,427,414
Beginning balance of year for finished goods	7,154,684
Less: Reclassified to work in progress	(6,844,012)
Reclassified to operating expenses	(55,087)
Ending balance of year for finished goods	<u>(3,461,330)</u>
Inventory cost	48,221,669
Add: Other costs	142,333
Loss on work stoppage	<u>234,614</u>
Operating costs	<u><u>\$ 48,598,616</u></u>

Nanya Technology Corporation
STATEMENT OF SELLING EXPENSES
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Salaries	\$ 290,400
Air Freights on export sales	107,702
Commissions on export sales	92,683
Welfare costs	42,909
Others (Less than 5% of the ending balance)	<u>130,030</u>
Total	<u><u>\$ 663,724</u></u>

Nanya Technology Corporation**STATEMENT OF ADMINISTRATIVE EXPENSES****For the year ended December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

Items	Amount
Salaries	\$ 582,154
Miscellaneous expenses	216,474
Amortization expenses	171,997
Professional service fee	162,657
Utilities	101,836
Others (Less than 5% of the ending balance)	280,387
	<u><u>\$ 1,515,505</u></u>

Nanya Technology Corporation**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSE****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

Items	Amount
Testing material expenses	\$ 4,174,613
Salaries	1,814,901
Depreciation expenses	455,942
Others (Less than 5% of the ending balance)	<u>1,075,158</u>
	<u>\$ 7,520,614</u>