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<http://www.umec.com.tw>

UNIVERSAL MICROELECTRONICS CO., LTD.

2022 ANNUAL REPORT



Printed on: May 5, 2023

1. Name, title, contact numbers and email addresses of the spokesperson and acting spokesperson of the Company

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2. **Addresses and contact numbers of head office, branches and factories**

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Addresses and contact numbers of branches: Not applicable.

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4. **The CPA for the annual report for the most recent year**

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Accounting firm: EY Taiwan

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5. The name of the marketplace where the overseas securities are listed for trading and information on overseas securities: Not applicable.

6. **Company website: <http://www.umec.com.tw/>**

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I. Letter to shareholders

Dear shareholders,

Thank you for attending this year's annual general meeting. The following is the report on the business performance in 2022 and the business plans for 2023.

i. 2022 business report

(i) Implementation results of business plan

Despite the challenges posed by the COVID-19 pandemic and the supply chain disruptions in the electronic materials industry, the Company has been working hard to leverage its production advantages and continuously develop new customer orders. As a result, the Group's consolidated revenue grew by 19.65% in the 2022 compared to the same period last year. The Group's consolidated net profit after tax was NT\$262,060 thousand in 2022, with a net profit attributable to the owners of the parent company of NT\$262,577 thousand.

(ii) Budget execution status in 2022: The Company did not issue a financial forecast, therefore this is not applicable.

(iii) Financial income and expense analysis

Unit: NT\$ thousand

Year Item	Parent only financial information in the last two years			
	2022	2021	Increase (Decrease) Amount	Increase (Decrease) %
Operating revenue	5,627,188	4,647,604	979,584	21.08%
Operating cost	5,070,377	4,172,674	897,703	21.51%
Gross profit	556,812	474,956	81,856	17.23%
Net income (loss) before tax	323,300	50,807	272,493	536.33%
Net profit (loss) for the period	262,577	44,706	217,871	487.34%

Unit: NT\$ thousand

Year Item	Consolidated financial information in the last two years			
	2022	2021	Increase (Decrease) Amount	Increase (Decrease) %
Operating revenue	4,834,189	4,040,354	793,835	19.65%
Operating cost	3,995,500	3,414,832	580,668	17.00%
Gross profit	838,689	625,522	213,167	34.08%
Net income (loss) before tax	328,857	58,738	270,119	459.87%
Net profit (loss) for the period	262,060	44,127	217,933	493.88%
Net profit attributable to the owner of the parent company	262,577	44,706	217,871	487.34%

(iv) Profitability analysis

Parent only financial analysis item		2022	2021
Return on assets (%)		5.91	1.47
Return on equity (%)		13.49	2.60
Capital adequacy ratio %	Net operating income (loss)	10.02	5.17
	Net income(loss) before tax	25.38	3.99
Net profit margin (%)		4.67	0.96
Earnings per share (NT\$)		2.07	0.35

Consolidated financial analysis item		2022	2021
Return on assets (%)		5.52	1.37
Return on equity(%)		13.46	2.56
Capital adequacy ratio %	Net operating income (loss)	20.20	4.45
	Net income (loss) before tax	25.82	4.61
Net profit margin(%)		5.42	1.09
Earnings per share(NT\$)		2.07	0.35

(v) Research and development status

1. In 2022, the Company and its subsidiaries collectively invested NT\$183,734 thousand in research and development, accounting for 3.80% of the consolidated operating revenue.
2. Newly developed successful technologies and products in 2022 are as follows:
 - (1)**Technologies and R&D outcomes related to magnetic component product (TR)**
 - ① Developing micro welding technology and completing a small package RF Transformers(Balun) solution based on ceramic substrates, and accomplishing the 03-10D series products.
 - ② Collaborating with IC giants to develop a magnetic component solution for Power Line Communication (PLC), compliant with AEC-Q200 standard for validation design. Additionally, establishing a complete product line of Power Line Communication (PLC) coupling transformers (01-11D series) to meet the future demand in the electric vehicle charging station market.
 - ③ Developing and completing the design platform for the industrial-grade high-insulation-strength EP13LH10 power transformer (04-38D series) products. These transformers are utilized in Battery Management Systems (BMS), HEV/EV inverters, Engineering Control Units (ECU), DC/DC converters, and on-board chargers (OBC) applications.
 - ④ The EP17 design platform for high-current common-mode chokes, available in the 11-34D series. These chokes are applied in automotive, data communication, computing, and industrial applications.
 - ⑤ The development of wire-axis design for high-voltage transformer applications has been successfully completed. The current power products in this category are generally characterized by being lightweight, slim, short, and compact, emphasizing miniaturization and portability. Designs for LED, battery, and automotive transformer applications are increasingly focused on miniaturization, high-voltage resistance, and automated design. The

combination of BOBBIN & COVER not only fulfills these requirements but also meets the UL safety regulations regarding the distance between primary and secondary components. An example of this design is the TG-UT38932 EFD25/13/9 low profile double-slot design.

(2)Technologies and R&D outcomes related to switching power supply (SPS)

- ①The prototype of the 2"x4" 300W AC Power Supply product is completed. It incorporates E-Mode & Cascode GAN type PFC technology, while also increasing the frequency to 280KHz to enhance power density.
- ②The development of the 36W wall mount adapter is completed. It complies with the latest energy efficiency regulations regarding maximum no-load power consumption and highest operating efficiency requirements. It also meets the market demand for compact-sized products.
- ③The development of the AC/DC Open-Frame 130W PSU is completed, featuring N+1 redundant configuration, power good (PG) signal, and remote control functionality. It is suitable for power supply applications in 5G small cell base stations.
- ④The development of the 500W half-brick, 94% high-efficiency power module UMFH500C is successfully completed. This module is suitable for network communication systems requiring waterproof, dustproof, and high-temperature resistance capabilities, as well as industrial control-grade power supply needs.
- ⑤The development of the AC/DC dual output 550W/750W/950W Open-Frame power supply, compliant with IEC62368, has been successfully completed. This product caters to the increasing power requirements of network communication equipment.
- ⑥The development of the SSI 150W product has been achieved using the LLC/SRC circuit architecture, resulting in an efficiency upgrade from 80 Plus to silver level. This enhancement enables the product to meet the power supply requirements of networking and related applications, catering to the needs of network communication customers and similar applications.

(3)Technologies and R&D outcomes related to information and communication product (ICP)

- ①The 24GHz radar is not only utilized for radar detection in car DVRs, but also finds applications in automatic water faucet sensing for Japanese clients, as well as pedestrian detection for road applications in South Korea.
- ②Completion of bike radar development for a leading American bicycle brand. The client is conducting road tests at multiple locations nationwide and plans to introduce the product to the market in the second quarter of 2023.
- ③UN R151 BSIS radar has obtained third-party certification by the end of 2022, compliant with UN R151 regulations. It began shipment and market release by the end of 2022, targeting European commercial vehicle end customers.

(4)Optical communication product-related technologies and product research and development results

- ①Completion of product development for high-speed optical cables in data centers, including 100G and 40G QSFP, 25G and 10G SFP+.
- ②Completion of product development for high-speed connectivity solutions in the consumer market, including USB 3.1 Type-C, HDMI 2.1, DisplayPort (DP), KVM, and others.

ii. 2023 business plan

(i) Business objectives

The Company focuses on developing competitive products that meet the market demands by emphasizing technological prowess, quality, service, and marketing capabilities in order to develop competitive products that meet the market demands by focusing on technological prowess, quality, service, and marketing capabilities. The Company's fundamental objectives are to create and distribute profits to shareholders, while also sharing profits with employees to enhance their job performance and loyalty. Which leads to improved customer satisfaction, driving sustainable profit growth and forming a positive profit cycle.

(ii) Sales forecast

Unit: 1,000 pcs	
Main product	Sales volume forecast
Magnetic components	69,338
Power supply unit	16,726
Information and communication technology product	18,478
Optical communication products	46

The Company continuously develops new products based on industry trends and market demand, while maintaining high-quality standards to enhance customer satisfaction.

(iii) Important production and sales policies:

1. Develop energy integration to enhance the added value of the Company's product line:

Each product line will undergo R&D upgrade tasks. In addition to the existing product range, each product line will allocate a certain proportion of R&D manpower to develop higher-level specifications. By collaborating with cross-product line development units, we aim to provide customers with quasi-system product services. This efficient approach effectively enhances the added value of our products.

2. Supply chain optimization:

In response to rapidly changing international political and economic conditions, the Company is undertaking supply chain optimization initiatives with the aim of strengthening supply chain resilience and cost competitiveness.

- Expanding the scope of alternative materials and incorporating competitive suppliers into the Company's key performance indicators is a crucial task.
- Allochthonization of alternative materials: The alternative materials should be sourced from production regions different from the primary materials.

3. Deepening the cultivation of core customers:

Forming project teams to serve core customers with the objective of accelerating the volume production schedule for core customer projects to expand sales revenue and profitability.

iii. The Company's future development strategy, and the effect of external competition, the legal environment, and the overall business environment

Utilizing the Company's expertise in passive components, power supplies, automotive electronics, and marine electronics integration design, the Company is strategically planning the development of products that align with market trends such as electrification of vehicles, artificial intelligence computing, and next-generation communication architectures. The Company's objective is to maximize efficiency and further expand revenue and profitability.

In response to rapid changes in global politics, economics, and fluctuations in the availability of human resources in production bases, the Company must strengthen innovation, research and development, and automate the entire product process. It is to ensure the Company's ability to adapt to changing circumstances and enhance capabilities in material procurement and inventory management. By this means, the Company aims to improve price competitiveness and profitability.

The Company is committed to manufacturing world-class products and actively expanding into global markets while practicing sustainable business practices for the benefit of society. In addition to complying with the International Financial Reporting Standards (IFRS) and fulfilling corporate social responsibilities, the Company continuously monitors and assesses the impact of important domestic and international policies and laws on the Company. The Company takes appropriate measures to adapt accordingly. Our ultimate goal is to create maximum well-being for all employees, shareholders, society, and stakeholders.

Wishing all shareholders good health and good luck

Chairman: OU, CHENG-MING

II. Company Profile

i. Date of Incorporation: Established on 18 February 1984.

ii. Company History :

Year	History
1984	●Finished establishment registration and the paid-in capital was NT\$15,000,000. Developed delay line and the proceeds from issuing shares was NT\$2,000,000.
1986	●Developed pulse transformer. The new plant in Taichung Industrial Park was completed and finished the relocation of the new plant.
1987	●Developed DC-DC CONVETER.
1989	●Raising capital of NT\$4,550,000 by cash, and the capitalization of earnings for NT\$14,550,000. The paid-in capital was changed to NT\$36,000,000.
1990	●The capitalization of earnings for NT\$9,000,000. Raising capital of NT\$31,000,000 in cash. The amount of capital has changed into NT\$76,000,000.
1991	●The capitalization of earnings for NT\$30,400,000. The amount of capital has changed to NT\$106,400,000. ●Developed switching adapter for notebook and PC.
1992	●Developed ISDN Network Transformer.
1993	●Raising capital of NT\$25,600,000 by cash. The amount of capital has changed to 132,000,000. ●Developed PCMCIA MEMORY CARDS.
1994	●Passed the England DNV ISO 9002 approved quality system ●Developed PCMCIA FAX/MODEM/LAN CARDS.
1995	●Passed the England DNV ISO 9001 certification. ● Obtained the development plan of the leading new product “distributed high power density DC/DC converter” by the Industrial Bureau, Ministry of Economic Affairs.
1996	● The capitalization of earnings for NT\$26,400,000. Raising capital of NT\$41,400,000 in cash.The paid-in capital has changed to NT\$199,800,000.
1997	● The capitalization of earnings for NT\$39,960,000. Raising capital of NT\$40,240,000 in cash. The paid-in capital has changed to NT\$280,000,000. ● Completed the development plan of the leading new product “distributed high power density DC/DC converter” by the Industrial Bureau, Ministry of Economic Affairs. ●Developed SET-TOP BOX VIDEOPHONE.
1998	● The capitalization of earnings for NT\$84,000,000. The paid-in capital has changed to 364,000,000. ●Developed INTERNET SCREEN PHONE and STANDALONE VIDEOPHONE. ●The TPEx and the Financial Supervisory Commission approved the OTC listing of the company's stocks.
1999	●Passed the Swiss SGS ISO 14001 certification.

Year	History
	<ul style="list-style-type: none"> ●The capitalization of earnings for NT\$138,320,000. Raising capital of NT\$100,000,000 in cash. ●The capitalization of employee bonus for NT\$3,380,000. The paid-in capital has changed to NT\$605,700,000. ●Developed ADSL MODEM CARD.
2000	<ul style="list-style-type: none"> ● Raising capital of NT\$60,000,000 by cash. The amount of capital has changed into NT\$665,700,000. ● The capitalization of earnings for NT\$232,995,000. The capitalization of additional paid In capital for NT\$33,285,000. The capitalization of employee bonuses for NT\$5,000,000. The paid-in capital has changed to NT\$936,980,000. ●TPEx and the Financial Supervisory Commission approved the transfer of the listing of the Company's shares. ●Established the optical communication business department, stepping into the field of optical communication products.
2001	<ul style="list-style-type: none"> ●Passed the England DNV QS9000 certification. ●Developed Industrial Power Supply 200W~400W series, Redundant Power Supply 300 W, and N+1 Redundant products.
2002	<ul style="list-style-type: none"> ●The 1st plant of UMEC was officially completed and put into use. ●Developed Compact size Coupler/WDM, Ultra Low PDL Coupler, Ultra wide band with Coupler, DWDM.
2003	<ul style="list-style-type: none"> ●Conducted the TL9000 tutoring. ● The capitalization of earnings for NT\$40,200,000. The capitalization of employee bonuses for NT\$2,500,000. The paid-in capital has changed to NT\$1,430,270,000.
2005	<ul style="list-style-type: none"> ●The treasury stocks were reduced by NT\$ 50,000,000. ●Stepped into the field of photoelectric products.
2006	<ul style="list-style-type: none"> ●The annual revenue was NT\$2,813,000,000, which had reached a record high.
2008	<ul style="list-style-type: none"> ● The Video Phone that was developed and designed by the Company was officially mass-produced and shipped in July. ● Set up a second production base in Vietnam.
2009	<ul style="list-style-type: none"> ● Developed 5-inch PND, the product quality and function were favored by Japanese customers. It created a sensation in Japanese 3C stores, TV shopping and other channels, and was rated as the top-selling product by @BCN, the best-selling 3C magazine in Japan (with a 23.3% market share). Its function, price, quality, market share and other evaluations are ahead of the second and third Japanese major manufacturers such as Sanyo and Sony. ● In terms of optical communication products, the active optical cable R&D team of UMEC uses semiconductor process and packaging technology to successfully developed AOC (active optical cable) of high-definition multimedia interface HDMI (high-definition multimedia interface), which is small in size and light in weight (the connector is about the size and weight of a USB flash drive) and whose performance exceeds that of HDMI made by ordinary copper wires. The Active optical fiber transmission bandwidth is 20Gbp, the distance is more than 100 M, and the wire diameter is only 5 mm. Provide the highest quality presentation of long-distance audio and video transmission, while

Year	History
	solving the trouble of audio and video wiring.
2010	<ul style="list-style-type: none"> ●Fulong plant (Fujian) of China was officially put into use. ●Applied for the Ministry of Economic Affairs' Industry Development Plan, "high-speed multi-protocol miniature optical connection module and application technology development plan", which was approved on 12 October 2010. Mainly develop optical IO interface technology and products, which will replace copper wire IO interface as the next-generation high-speed transmission interface and can be used in a wide range, including a variety of information, consumer electronics and network equipment. With the government's support, accelerating the development of our company in the optoelectronic semiconductor business. ●The Multi-functional Desktop Video VOIP phone won the "Product Innovation Award" from the Technology Division of the Ministry of Economic Affairs. ●The external adapter of the power supply product has won the third type of environmental declaration certification, received the Carbon Footprint Declaration certification from the Environmental and Development Foundation, and was rewarded the Carbon Footprint Logo of the TEEMA.
2011	<ul style="list-style-type: none"> ●The Vietnam Plant officially started. ●Established the UMEC Wuhan Company Limited.
2012	<ul style="list-style-type: none"> ●"Remote Sign Language Interpretation and Life Care Service Special Project" led by our company has passed an granted the subsidy for the "Innovative Technology Application and Service Program" of the Technology Department of the Ministry of Economic Affairs. ●Established UMEC Renlong Electronics Co., Ltd. (Meizhou) Plant.
2014	<ul style="list-style-type: none"> ●The subsidiary UMEC Wuhan Company Limited was relocated to Dangtu County, Ma'anshan City, Anhui Province, China, and changed its name into UMEC Anhui Company Limited.
2016	<ul style="list-style-type: none"> ●Add a functional organization - set up the first audit committee and cancel the position of supervisor.
2017	<ul style="list-style-type: none"> ●Completed the development and mass production of the multi-mode vehicle blind spot detection radar collision avoidance system, and the system has been successfully installed in many models and launched in succession. ●Established PT UMEC Green Tech Indonesia
2018	<ul style="list-style-type: none"> ●The subsidiary UMEC Fulong Electronics Co., Ltd. completed its relocation to Qingyunshan Industrial Park, Longyan City, Fujian Province, China. ●The Company has passed Japan's OMRON PRIMP B supplier upgrade certification.
2019	<ul style="list-style-type: none"> ●Started the expansion of the second phase of the Vietnam Plant.
2020	<ul style="list-style-type: none"> ●Completed the expansion of the second phase of the Vietnam Plant.
2022	<ul style="list-style-type: none"> ●Expansion of the sixth floor in Manufacturing Plant 1.

III. Corporate Governance Report

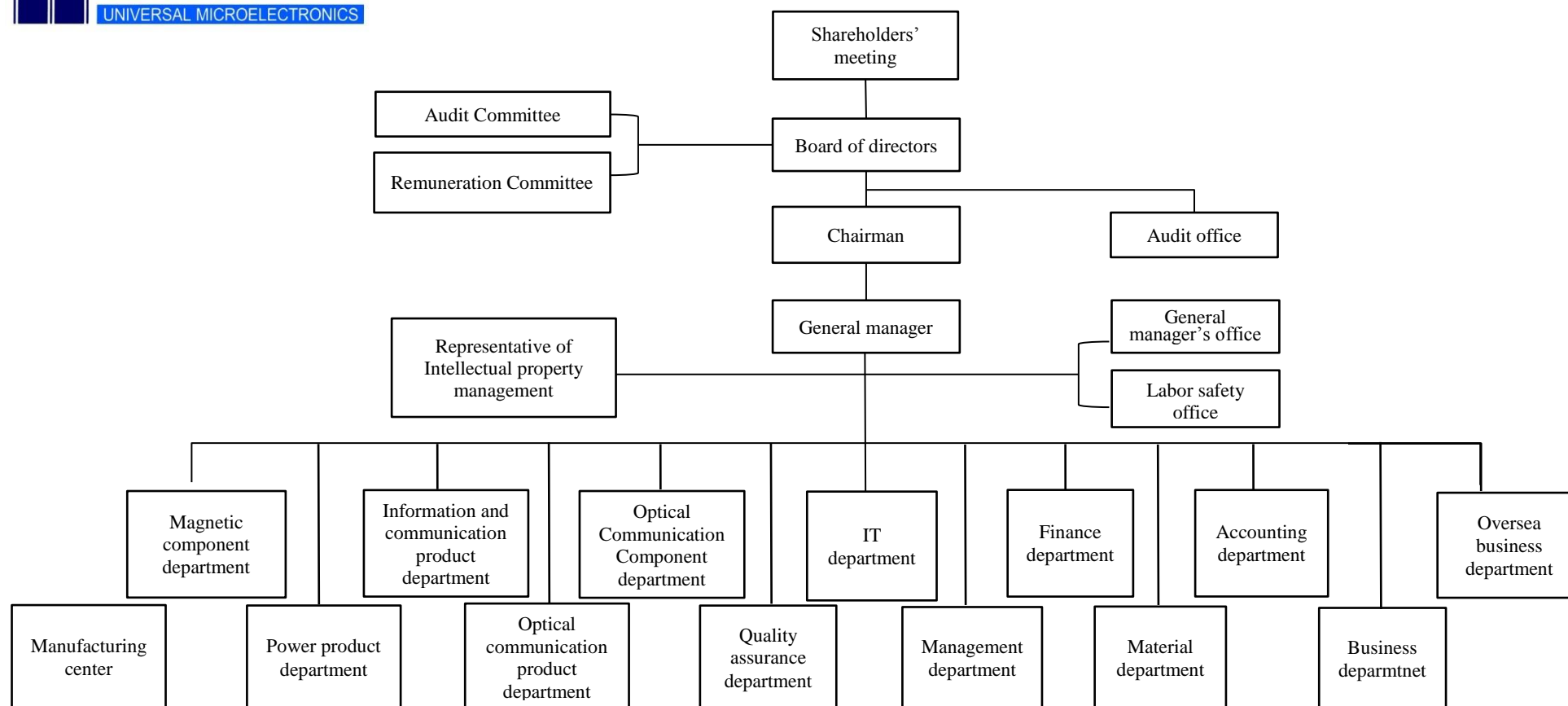
i. Organization system

(i) Organizational chart



UNIVERSAL
MICROELECTRONICS CO.,
LTD.

Organizational chart



(ii) Responsibilities and functions of major departments :

Department	Functions
General Manager's Office	Approval and supervision of strategic planning and various operational plans.
Audit Office	Review and audit the company system and operating procedures of each department.
Labor Safety Office	Revise occupational hazard prevention plans and emergency response plans, and supervise the implementation, planning, and auditing of occupational safety and health in relevant departments.
Intellectual Property Management Representative	Ensure that the processes required for the IPMS are established, implemented and maintained.
IT Department	Maintain the continuous and normal operation of information systems and facilities.
Management Department	Responsible for the formulation and implementation of company personnel, general affairs and various management regulations, security maintenance of company access control management and public relations.
Finance Department	Manage the planning and management of the Company's finance, stock affairs, and investment.
Accounting Department	Manage the Company's accounting and budget preparation and management.
Business Department	In charge of the planning, marketing and market development of electronic components produced by the Company.
Quality Assurance Office	Implement the company's quality policy and plan the quality management system.
Magnetic Component Office	<p>The design and development of electromagnetic parts, the office consists of Engineering Department and Development Department.</p> <ul style="list-style-type: none"> • Engineering department: Solving the engineering problems of the magnetic component product mass production. • Development department: Development and research of the magnetic component product technology.
Power product department	<p>The design and development of switch mode power supply. The office consists of Engineering Department and Development Department.</p> <ul style="list-style-type: none"> • Engineering Department: Solving the engineering problems of power supply products mass production. • Development Department: Research and development of power supply product technology.

Information and communication product department	<p>The design and development of finished and assembled product of surface mount device The office consists of Engineering Department, Development Department, and Marketing Department.</p> <ul style="list-style-type: none"> • Engineering department: Solutions to the mass production engineering problems of information and communication product. • Development Department: Research and development of software and hardware for information and communication technology products, as well as advanced technology research and innovation. • Marketing Department : The planning, marketing and market development of information and communication products produced by the Company.
Optical Communication Product Office	<p>The design and development of optical communication products. The office consists of Marketing Department, Engineering Department and Development Department.</p> <ul style="list-style-type: none"> • Marketing Department : The planning, marketing and market development of optical communication products produced by our company. • Engineering Department : Solutions to mass production engineering problems of optical communication products. • Development Department : The development and research of optical communication product technology.
Optical communication components section	<p>The design and development of optical communication Components.</p> <ul style="list-style-type: none"> • Development Department : Development and research of optical communication component technology.
Manufacturing center	Responsible for the manufacturing management, production planning and production environment hardware maintenance of each product line.
Materials Department	Responsible for production management, purchasing, warehouse management and cost optimization teams.
Overseas Business Department (abroad)	Responsible for the operation management of the subsidiaries.

ii. Information on the directors, general managers, deputy general managers, senior managers of departments or division:

(i) Information of the directors

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Chairman	R.,O.C.	OU, CHENG-MING	M 71-80 years old	20 June 2022	3 years	16 February 1984	34,870,964	27.38	34,870,964	27.38	5,002,778	3.93	—	—	Academic background: Department of Electronic Engineering, National Cheng Kung University Work experience: Deputy General Manager, Universal Scientific Industrial Co., Ltd.	Universal Microelectronics Co., Ltd.: General manager Other company: Chairman of Tien Lung Investment Co., Ltd., Advanced Radar Technology Co., Ltd. (ARadTek), OUMEIYA INVESTMENT CO., LTD., etc.; Director, UMEC Investment(B.V.I) Co., Ltd., UMEC(H.K.) Company Ltd., UMEC USA Inc., Global Development Co., Ltd., ASIA PACIFIC MICROSYSTEM S, INC., Bao Qian Co., Ltd., Phoenix 3 Venture Capital Co., Ltd., Yuan Rong Investment Co., Ltd., Zhao Zan Investment Co., Ltd, etc. Supervisor, Wanan Investment Co., Ltd.; Independent director, Lelon Electronics Corp, Liton Technology Corp., Sweeten Real Estate Development, etc.	Director	LIN, HSUEH- HWA	Spouse	Note
																Director	OU, JEN-CHI EH	Father and son		
																	Director	OU, TZU-HU EI	Father and daughter	

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Director	R.O.C.	HSU, KUAN-CHUN	M 71-80 years old	20 June 2022	3 years	16 February 1984	1,748,177	1.37	1,748,177	1.37	137,828	0.11	—	—	Academic background: EMBA, National Cheng Kung University Work experience Chairman, Nine Fine Co., Ltd.	Universal Microelectronics Co., Ltd.: None. Other company: Chairman, Nine Fine Co., Ltd., Kai Yang Investment Co., Ltd., etc.; Director, Tien Lung Investment Co., Ltd., A-ZPRO CORPORATION) , Cutes Corporation, etc.	—	—	—	None
Director	R.O.C.	Zhao Zan Investment Co., Ltd,	—	20 June 2022	3 years	20 June 2022	687,000	0.54	687,000	0.54	—	—	—	—	—	—	—	—	—	None
	R.O.C.	Representative: OU, JEN-CHIEH	M 41-50 years old				—	—	—	—	—	—	—	—	Academic background: Ph.d., Department of Electrical Engineering, Case Western Reserve University. Work experience: Deputy General Manager, Universal Microelectronics Co., LTD.	Universal Microelectronics Co., LTD.: Deputy general manager Other company : Chairman, Zhao Zan Investment Co., Ltd.: Director, OUMEIYA INVESTMENT CO.,LTD., Advanced Radar Technology Co., Ltd.(ARadTek), AMIT system service Ltd., Yuan Rong Investment Co., Ltd., Wanan Investment Co., Ltd., Taiwan Full Long Industrial Co., Ltd., etc.: Supervisor, Tien Lung Investment Co., Ltd.	Chairman	OU, CHENG- MING LIN, HSUEH- HWA	Father and son Mother and son	None
																	Director	OU, TZU-HU EI	Sister and brother	

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Director	R.O.C.	Yuan Rong Investment Co., Ltd.	—	20 June 2022	3 years	20 June 2022	659,000	0.52	659,000	0.52	—	—	—	—	—	—	—	—	—	None
	R.O.C.	Representative: OU, TZU-HUEI	F 41-50 years old				—	—	—	—	—	—	—	—	Academic background: Master, Electrical Engineering, Arizona State University Ph.d., Institute of Communications Engineering, National Yang Ming Chiao Tung University Work experience Engineer: International Intellectual Property Promotion Department, Industrial Technology Research Institute. General Manager, Planning and Promotion Operations Center, Institute of Biomedical Sciences Industrial Technology Research Institute.	Universal Microelectronics Co., Ltd.: None. Other company: Chairman, Yuan Rong Investment Co., Ltd. Deputy general manager, Advanced Radar Technology Co., Ltd.(ARadTek) ; Director, OUMEIYA INVESTMENT CO.,LTD., Zhao Zan Investment Co., Ltd., etc.: Supervisor, Taiwan Full Long Industrial Co., Ltd.	Chairman	OU, CHENG- MING	Father and daughter	None
																	Director	LIN, HSUEH- HWA	Mother and daughter	
																		OU, TZU-HU EI	Sister and brother	

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Director	R.O.C.	LIEN, TSUNG-FU	M 61-70 years old	20 June 2022	3 years	8 August 8 1992	798,146	0.63	798,146	0.63	—	—	—	—	Academic background: Department of Telecommunication, National Yang Ming Chiao Tung University Work experience Universal Scientific Industrial Co., Ltd. Deputy general manager, Quality assurance department, Universal Microelectronics Co., Ltd.		—	—	—	None
Director	R.O.C.	TSAI, KUO-CHI	M 61-70 years old	20 June 2022	3 years	14 October 1995	700,929	0.55	700,929	0.55	107,780	0.08	—	—	Academic background: Department of Industrial and Engineering, Chung Yuan Christian University Work Experience: Senior specialist Ability Enterprise Co., Ltd.	Universal Microelectronics Co., Ltd.: Deputy general manager Other company: None.	—	—	—	None

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Director	R.O.C.	YANG, SHANG-JU	M 41-50 years old	20 June 2022	3 years	20 June 2022	—	—	—	—	—	—	—	—	Education: Department of Mechanical Engineering, Hsiupng University Work experience: General manager's assistant, GOODWAY MACHINE CORP.; Director, Zhiyuan Investment Ltd., Jiajin Investment Ltd.,etc.; Corporate director Jawo mechantronic Co., Ltd., YIH CHUAN MACHINERY INDUSTRY CO., LTD. Zhuwei mechantronic Co., Ltd., Dawei mechantronic (Suzhou) Co., Ltd., Awea Mechantronic (Suzhou) Ltd.; Supervisor, Honggli Investment Ltd., HUNG JIU MACHINE CO., LTD.	Universal Microelectronics Co., Ltd.: None. Other company: Representative of Zong Han Investment Ltd. Director, FITTECH CO., LTD.	—	—	—	None

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Independent director	R.O.C.	WU, TEH-CHUAN	M 81-90 years old	20 June 2022	3 years	21 June 2016	—	—	—	—	—	—	—	—	Education: Department of Electrical Engineering National Cheng Kung University Work experience: Chairman, Lelon Electronics Corp,	Universal Microelectronics Co., LTD.: None. Other company: Chairman, Lelon Electronics Corp, LIRO ELECTRONICS CO., LTD (also served as general manager), LITON (BVI) CO., LTD, V-TECH CO., LTD, FORVER CO., LTD, EVERTECH CAPA CO., LTD., Lelon International Industrial Ltd., Liton Technology Corp., Lifu Machinery Industrial Co., Ltd., Li-Yang Estate Development Co., Ltd., Bao Qian Co., Ltd., etc.; Director, Lelon Electronics Corp.(Huizhou), Lelon Electronics Corp.(Suzhou)	—	—	—	None

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Independent director	R.O.C.	WU, HUEI-HUANG	M 71-80 years old	20 June 2022	3 years	21 June 2016	—	—	—	—	—	—	—	—	Education: National Yang Ming Chiao Tung University Department of Electronic Engineering Work Experience: Director/ General manager, Universal Scientific Industrial Co., Ltd., Independent Director/Chairman, Logah Technology Co., Ltd. Director, Tailyn Technologies, Inc.	Universal Microelectronics Co., Ltd.: None. Othe company: Kinsus Interconnect Technology Corp. Independent director, Merry Electronics Co., Ltd., etc.	—	—	—	None
Independent director	R.O.C.	TSOU, YEN-CHUNG	M 61-70 years old	20 June 2022	3 years	21 June 2016	—	—	—	—	—	—	—	—	Education: Department of Accountancy, National Cheng Kung University Work Experience: Person in charge, Sun Young CPAs Firm CPA, EY Taiwan	Universal Microelectronics Co., Ltd.: None. Othe company: Person in charge, Sun Young CPAs Firm Independent director, Liton Technology Corp., Sunko Ink Co., Ltd., etc.	—	—	—	None

Title	Nationality	Name	Gender Age	Date of office	Tenur e	Date of the first term of office	Quantity of shares held at the time of elected to office		Quantity of shares currently held		Shares held by spouse and underage children		Shares held in the name of a third party		Major work (education) experience	Concurrent positions with the Company and other companies	Other officer or director who is the spouse or kindred within the 2nd tier			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations hip	
Independent director	R.O.C.	KO, HSIN-SUI	M 71-80 years old	20 June 2022	3 years	20 June 2022	—	—	—	—	—	—	—	—	Academic background: Department of Business Administration, National Chung Hsing University Master, College of Management, National Chung Hsing University Work experience: Chairman, Sweeten Real Estate Development Co., Ltd. Director, China Electric Mfg. Corp. The 10th President, The Entrepreneur Club	Universal Microelectronics Co., Ltd.: None. Othe company: Chairman, Sweeten Real Estate Development Co., Ltd., JINGLE CONSTRUCTIO N CO., LTD., Shun Ding Construction Co., Ltd., Sweeten Huan Enterprise Co., Ltd., Tai Da Xing Co., Ltd., Tian Qi Investment Co., Ltd.; Chairman, Corporate Sweeten Culture and Education Foundation; Director, Lelon Electronics Corp., China Electric Mfg. Corp., Tien Hsing Investment Co., Ltd., Tien Sheng Investment Co., Ltd., etc.	—	—	—	None

Note: Where the chairman and general manager or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed:

The chairman of the Company also serves as the general manager, in order to improve operational efficiency and decision-making capability. However, to strengthen the independence of the board of directors, the Company has actively trained suitable candidates. At the same time, the chairman and the directors have been in close contact and have fully communicated the Company's operating policy, and the Company's Articles of Incorporation have been revised to increase the number of independent directors. Currently, the Company has the following specific measures :

1. After the re-election of directors in the board meeting on 20 June 2022, the Company has established four independent directors, each specializing in the fields of finance, accounting, and electronic components. With their expertise, they will be able to effectively fulfill their supervisory roles.
2. Every year, all directors are arranged to participate in professional courses for directors of external organizations to improve the operational efficiency of the board of directors.
3. Independent directors can fully discuss and make suggestions in each functional committee for the board's reference to implement corporate governance.
4. More than half of the board members are not also serving as employees or managers.

Major shareholders of institutional shareholders

28 April 2023

Name of Institutional Shareholders	Major Shareholders
Zhao Zan Investment Co., Ltd.	Shareholding of OU, JEN-CHIEH: 34.4% Shareholding of LIN, HSUEH-HWA:32.6% Shareholding of OU, TZU-HUEI:32.6% Shareholding of OU, CHENG-MING: 0.4%
Yuan Rong Investment Co., Ltd.	Shareholding of OU, TZU-HUEI:34.4% Shareholding of LIN, HSUEH-HWA:32.6% Shareholding of OU, JEN-CHIEH:32.6% Shareholding of OU, CHENG-MING:0.4%

1. Disclosure of the information on the professional designation and independence of the directors:

Condition Name	Professional designation and work experience	Status of independence	Number of public companies where the independent director also holds positions as Independent Director
OU, CHENG-MING Chairman	Currently serves as the director and general manager of the Company; independent director of Lelon Electronics Corp., Liton Technology Corp., and Sweeten Real Estate Development Co., Ltd. He possesses more than five years of work experience in business, finance and corporate business and committed to the field of electronic components for more than 40 years. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	3
HSU, KUAN-CHUN Director	Currently serves as the chairman of Nine Fine Co., Ltd.; director of Tien Lung Investment Co., Ltd., Cutes Corporation, etc. He possesses more than five years of work experience in business, finance and corporate business and committed to electronics-related fields for more than 40 years. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
Representative of Zhao Zan Investment Co., Ltd.: OU, JEN-CHIEH	Currently serves as the deputy general manager; chairman of Zhao Zan Investment Co., Ltd.; director of Advanced Radar Technology Co., Ltd.(ARadTek). He possessed more than five years of work experience in business, finance and corporate business, and deeply cultivated in the related fields of electronic components. Also, he possesses professional leadership, marketing, operation management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0

Condition Name	Professional designation and work experience	Status of independence	Number of public companies where the independent director also holds positions as Independent Director
Representative of Yuan Rong Investment Co., Ltd: OU, TZU-HUEI	Currently serves as the chairman of Yuan Rong Investment Co., Ltd.; Deputy general manager of Advanced Radar Technology Co., Ltd.(ARadTek). She possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components. Also, she possesses professional leadership, marketing, operation management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
LIEN, TSUNG-FU Director	Formerly served as the deputy general manager of the Company and the quality assurance department of Universal Scientific Industrial Co., Ltd. He possesses more than five years of work experience in business, finance and corporate business. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
TSAI, KUO-CHI Director	Currently serves as the deputy general manager of the Company's material department. He possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components. Also, he possesses professional leadership, marketing, operation management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
YANG, SHANG-JU Director	Currently serves as the representative of Zong Han Investment Ltd.; director of FITTECH CO., LTD. He possesses more than five years of work experience in business, finance and corporate business. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.	None of the circumstances listed in Article 30 of the Company Act.	0
WU, TEH-CHUAN Independent director	Currently serves as the chairman of Lelon Electronics Corp., Liton Technology Corp., etc. He possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components, with professional leadership, marketing, operation management and strategic planning capabilities.	Prior to the appointment and throughout the tenure, all independence assessment criteria have been met. (Note)	0
WU, HUEI-HUANG Independent director	Currently serves as the independent director of Kinsus Interconnect Technology Corp. and Merry Electronics Co., Ltd., etc., He possesses more than five years of work experience in business, finance and corporate business and has been deeply cultivating in the related fields of electronic components. Also, he possesses professional leadership, marketing, operation management and strategic planning capabilities.		2

Condition Name	Professional designation and work experience	Status of independence	Number of public companies where the independent director also holds positions as Independent Director
TSOU, YEN-CHUNG Independent director	Currently serves as the person in charge of Sun Young CPAs Firm; independent director of Liton Technology Corp., Sunko Ink Co., Ltd., etc. He possesses more than five years of work experience in business, legal affairs, finance, accounting and corporate business. And is a professional and technical personnel who has passed the national examinations and obtained certificates for judges, prosecutors, lawyers, accountants, or others required for the company's business.		2
KO, HSIN-SUI Independent director	Currently serves as the chairman of Sweeten Real Estate Development Co., Ltd., JINGLE CONSTRUCTION CO., LTD., Shun Ding Construction Co., Ltd., etc.; director of Lelon Electronics Corp., China Electric Mfg. Corp., etc. He possesses more than five years of work experience in business, legal affairs, finance, accounting and corporate business. Also, he possesses professional leadership, marketing, operations management and strategic planning capabilities.		0

Note: (1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act.

(6) Not a director, supervisor, or employee of another company in which a majority of the company's director seats or voting shares and those of any other companies are controlled by the same person.

(7) Not a director (or governor), supervisor, or employee of another company or institution in which the chairperson, general manager, or person holding an equivalent position in the company and a person in any of those positions at another company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) None of the circumstances listed in Article 30 of the Company Act.

2. Diversity and independence of the board

(1) Diversity of the board

According to Article 20 of the "Corporate Governance Best Practice Principle", the composition of board members shall consider diversity and formulates an appropriate diversification policy based on its own operation, operation type and development needs. The board members should generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the overall capabilities of the board of directors are as follows:

(1) Judgment in operation

(2) Accounting and financial analysis

(3) Corporate management

- (4) Crisis management
- (5) Industry knowledge
- (6) International view of the market
- (7) Leadership
- (8) Decision-making

(2) Independence of the board

The Company currently has a total of 11 seats on the board of directors, of which four are independent directors. The proportion of directors with employee status is 27%, and the independent directors account for 36%. The Company also pays attention to gender equality in the composition of the board of directors, with female directors accounting for 9%. For the length of tenure of independent directors, the three independent directors have 6 years of experience and one independent director with a tenure of less than one year. Moreover, their qualifications are in compliance with the independent director regulations stipulated by laws and regulations, and they are familiar with the Company's financial and operating conditions. The implementation status is as follows:

Name	Title	Gender	Age					Tenure of independent director		If one also serves as an employee	Diversity Core Item (The most important five capabilities)										
			65-69	70-74	75-79	80-84	85-89	1 to 3 years	4 to 9 years		Native	Non-Executive	Director	Independent Director	Board Member	Chairman	Executive Director	Non-Executive Director	Chairman	Executive Director	Non-Executive Director
OU, CHENG-MING	Chairman	M				√		N/A		√			√	√	√					√	√
HSU, KUAN-CHUN	Director	M				√		N/A					√	√	√					√	√
OU, JEN-CHIEH	Corporate director representative	M	√					N/A		√			√	√	√					√	√
OU, TZU-HUEI	Corporate director representative	F	√					N/A					√	√	√				√		√
LIEN, TSUNG-FU	Director	M		√				N/A					√	√	√				√		√
TSAI, KUO-CHI	Director	M		√				N/A		√			√	√	√					√	√
YANG, SHANG-JU	Director	M	√					N/A						√	√				√	√	√
WU, TEH-CHUAN	Independent director	M					√		√				√	√	√			√		√	√
WU, HUEI-HUANG	Independent director	M				√			√				√	√	√			√			√
TSOU, YEN-CHUNG	Independent director	M		√					√				√		√	√	√				√
KO, HSIN-SUI	Independent director	M				√		√					√		√				√	√	√

(3) Specific management goals and achievement status of the board diversity policy:

Management goals	Achievement status
Directors who also serve as managers of the company should not exceed one-third of the seats on the board of directors	Achieved
Include at least one female member in the board of directors	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved

(ii) Information on the Company general manager, deputy general manager, senior manager of departments or division

April 28 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Chairman and general manager	R.O.C.	OU, CHENG-MING	M	8 July 1989	34,870,964	27.38	5,002,778	3.93	—	—	Education: Electrical Engineering, National Cheng Kung University Work experience: Deputy general manager, Universal Scientific Industrial Co., Ltd. Chairman, Tien Lung Investment Co., Ltd., Advanced Radar Technology Co., Ltd.(ARadTek), OUMEIYA INVESTMENT CO.,LTD, etc. ; director, UMEC Investment (B.V.I) Co., Ltd. 、 UMEC(H.K.) Company Ltd. 、 UMEC USA Inc. 、 Global Development Co., Ltd., ASIAPACIFIC MICROSYSTEMS, INC., Bao Qian Co., Ltd., Phoenix 3 Venture Capital Co., Ltd. Yuan Rong Investment Co., Ltd., Zhao Zan Investment Co., Ltd., etc.; supervisor, Wanan Investment Co., Ltd.; independent director, Lelon Electronics Corp., Liton Technology Corp., Sweeten Real Estate Development Co., Ltd., etc.	Chairman, Tien Lung Investment Co., Ltd., Advanced Radar Technology Co., Ltd.(ARadTek), OUMEIYA INVESTMENT CO.,LTD, etc. ; director, UMEC Investment (B.V.I) Co., Ltd. 、 UMEC(H.K.) Company Ltd. 、 UMEC USA Inc. 、 Global Development Co., Ltd., ASIAPACIFIC MICROSYSTEMS, INC., Bao Qian Co., Ltd., Phoenix 3 Venture Capital Co., Ltd. Yuan Rong Investment Co., Ltd., Zhao Zan Investment Co., Ltd., etc.; supervisor, Wanan Investment Co., Ltd.; independent director, Lelon Electronics Corp., Liton Technology Corp., Sweeten Real Estate Development Co., Ltd., etc.	Deputy General Manager	OU, JEN-CHIEH	Father and son	Note

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Material department, deputy general manager	R.O.C.	TSAL KUO-CHI	M	1 May 1994	700,929	0.55	107,780	0.08	—	—	Education: Industrial Engineering, Zhongyuan University Work experience: Senior specialist, Ability Enterprise Co., Ltd.	None	—	—	—	None
Quality assurance department, deputy general manager	R.O.C.	CHANG, WEN-WING	M	1 February 2013	196,705	0.15	69,070	0.05	—	—	Education: Industrial Engineering, Tunghai University Work experience: Senior specialist, KENSTONE METAL CO., LTD.	None	—	—	—	None
Overseas business department, deputy general manager	R.O.C.	OU, CHING-CHUAN	M	1 July 2006	157,105	0.12	3,168	—	—	—	Education: Automotive repair department, Taichung Municipal Dongshih Industrial High School Work experience : JA-LONG TECHNOLOGY CO., LTD.	General Manager. JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	—	—	—	None
Deputy general manager, Business department	R.O.C.	OU, JEN-CHIEH	M	1 January 2011	1,365,582	1.07	—	—	687,000	0.54	Education: Ph.D. Electrical Engineering, Case Western Reserve University Work experience: FARADAY TECHNOLOGY CORPORATION	Chairman, Zhao Zan Investment Co., Ltd. Director, OUMEIYA INVESTMENT CO.,LTD., Advanced Radar Technology Co., Ltd.(ARadTek), AMIT SYSTEM SERVICE LTD., Yuan Rong Investment Co., Ltd., Wanan Investment Co., Ltd., Taiwan Full Long Industrial Co., Ltd., etc.; Supervisor, Tien Lung Investment Co., Ltd.	Chairman and general manager	OU, CHENG-MING	Father and son	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Magnetic components, deputy general manager,	ROC.	YEN, HWEL-FANG	F	28 August 2006	55,944	0.04	44,056	0.03	—	—	Education” Master’s degree, University of Wisconsin System Work experience: Universal Scientific Industrial Co., Ltd.	None	—	—	—	None
Information and communication product, deputy general manager	ROC.	CHAN, CHIA-NAN	M	14 February 2011	—	—	—	—	—	—	Education: Institute of Electrical Engineering, National Cheng Kung University Work experience: Assistant manager, Pegatron Corporation and Unihan Corporation,; Senior manager, UniMax Electronics Inc., Senior manager of R&D, Universal Scientific Industrial Co., Ltd.	Director, Advanced Radar Technology Co., Ltd. (ARadTek)	—	—	—	None
Power product department, deputy general manager	ROC.	TSAL, CHIN-TE	M	1 July 2011	90,159	0.07	—	—	—	—	Education: Electrical Engineering, Feng-Chia University Work experience: UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None
Manufacturing center, deputy general manager,	ROC.	WANG, NAN-KUEI	M	2 January 2013	—	—	—	—	—	—	Education: Industrial Engineering, Zhongyuan University Work experience: Ampere computer corp.	None	—	—	—	None
Optical and communication component department, senior manager	ROC.	WANG, CHIN-YI	M	1 May 2015	782	—	—	—	—	—	Education: Computer Engineering, National Chin-Yi University of Technology Work experience: UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
Optical communication components, senior manager,	R.O.C.	LIU, JAW-JUEH	M	13 August 2012	—	—	—	—	—	—	Education: Institute of Communications Engineering, National Yang Ming Chiao Tung University Work experience : Jjing Wang Industrial Co., Ltd., Multicom System Integrated Ltd., China Network Systems Co., Ltd.	None	—	—	—	None
Senior manager and spokesman	R.O.C.	MA, JONG-JYR	M	11 June 2007	1,000	—	—	—	—	—	Education: Institute of University of West Florida Work experience: Section chief, LITE-ON Technology Corporation	None	—	—	—	None
Business section, senior manager,	R.O.C.	WU, CHUN-HSIEN	M	28 August 2006	—	—	—	—	—	—	Education: Industrial management, National Cheng Kung University Work experience: General manager, Eastern Broadband Telecommunications Co., Ltd.	None	—	—	—	None
Overseas business section, senior manager	R.O.C.	LIAO, CHIEN-HSUN	M	2 January 2013	—	—	—	—	—	—	Education: Electrical Engineering, National Cheng Kung University Work experience: Assistant manager, Universal Scientific Industrial Co., Ltd., Jiang Chiang Co., Ltd.; General manager, Jiang Hou Electronics., Co.Ltd.	Deputy general manager of Assurance section of the Company's subsidiary, JA-LONG TECHNOLOGY (Shenzhen) CO., LTD.	—	—	—	None
Magnetic development department 1, senior manager	R.O.C.	TSENG, CHI-HUNG	M	1 April 2014	5,580	—	—	—	—	—	Education: Electronic, National Chin-Yi University of Technology Work experience: UNIVERSAL MICROELECTRONICS CO., LTD.	None	—	—	—	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of a third party		Major work experience (education)	Other Position	Manager who is spouse or kindred within the 2nd tier.			Remark
					Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding			Title	Name	Relation	
General manager's office, senior manager	ROC.	LIN, WN-CHIH	M	15 January 2015	—	—	—	—	—	—	Education: Electronic engineering, National Chin-Yi University of Technology Work experience: General manager, LITE-ON Technology Corporation	None	—	—	—	None
Material section, senior manager	ROC.	HSIEH, CHEN-MING	M	6 July 2017	5,000	—	—	—	—	—	Education: Industrial Engineering, Tunhai University Work experience : ADI CORPORATION	None	—	—	—	—
Oversea business section, senior manager	ROC.	SHEN CHING-WEN	M	19 November 2018	—	—	—	—	—	—	Education: Institute of Applied Mathematics, National Tsing Hua University Work experience: Deputy general manager, First International Computer Group	Deputy general manager of the Company's subsidiary, UMEC VIETNAM Co., Ltd.	—	—	—	None
Finance department and accounting department, Senior manager	ROC.	HSUEH, CHING-YI	F	1 April 2015	20,000	0.02	—	—	—	—	Education: Accountancy, National Cheng Kung University Work experience: Deputy general manager, Pou Chen Corporation	Supervisor of the Company's subsidiary, Advanced Radar Technology Co., Ltd. (ARadTek)	—	—	—	None

Note: Where the chairman and general manager or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed :

The chairman of the Company also serves as the general manager, to improve operational efficiency and decision-making execution. However, in order to strengthen the independence of the board of directors, the Company has actively trained suitable candidates. At the same time, the chairman of the board and the directors have been in close contact with each other and have fully communicated the Company's operating policies, etc., and the Company's Articles of Incorporation have been revised to increase the number of independent directors. Currently, the Company has the following specific measure:

1. The three current independent directors specialized in finance, accounting and electronic components industry respectively. After the shareholders' meeting held on 20 June 2022, the board of directors was re-elected, and it the number has changed into four independent directors, which enables the independent directors to more effectively fulfill their supervisory responsibilities.
2. Every year, all directors are arranged to participate in professional courses for directors of external organizations to improve the operational efficiency of the board of directors.
3. To implement corporate governance, independent directors can fully discuss in each functional committee and make suggestions for the board of directors to refer to.
4. More than half of the board members are not also serving as employees or managers.

iii. Remuneration to the directors, supervisor, general manager and deputy general manager in the previous period

(i) Remuneration to directors and independent directors (disclosure of the names in relevant bracket of the payment scale)

31 December 2022; Unit: NT\$1,000

Title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to net income				Related payment in performing the duties as employees								The sum of A, B, C, D, E, F and G in proportion to net income				Any payment from direct investee companies other than the subsidiaries or the parent company
		Remuneration (A)		Pension and severance payment (B)		Remuneration to directors (C)		Professional allowances (D)						Salaries, bonus and special expense account (E)		Pension and severance payment (F)		Remuneration to employees (G)								
		The Company	All companies included in the financial statements	The Company	included in the financial	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements					
																Cash	Stock	Cash	Stock							
Chairman	OU, CHENG-MING	-	-	-	-	1,586	1,586	55	55	1,641	0.63%	1,641	0.63%	3,193	3,193	-	-	300	-	300	-	5,134	1.97%	5,134	1.97%	None
Director	HSU, KUAN-CHUN	-	-	-	-	529	529	25	25	554	0.21%	554	0.21%	-	-	-	-	-	-	-	-	554	0.21%	554	0.21%	None
Director	LIEN, TSUNG-FU	-	-	-	-	529	529	55	55	584	0.22%	584	0.22%	-	-	-	-	-	-	-	-	584	0.22%	584	0.22%	None
Director	TSAI, KUO-CHI	-	-	-	-	529	529	55	55	584	0.22%	584	0.22%	1,909	1,909	33	33	240	-	240	-	2,766	1.05%	2,766	1.05%	None
Director	YANG, TE-HUA	-	-	-	-	243	243	5	5	248	0.09%	248	0.09%	-	-	-	-	-	-	-	-	248	0.09%	248	0.09%	None

Title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to net income				Related payment in performing the duties as employees								The sum of A, B, C, D, E, F and G in proportion to net income				Any payment from direct investee companies other than the subsidiaries or the parent company
		Remuneration (A)		Pension and severance payment (B)		Remuneration to directors (C)		Professional allowances (D)						Salaries, bonus and special expense account (E)		Pension and severance payment (F)		Remuneration to employees (G)								
		The Company	All companies included in the financial statements	The Company	included in the financial	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company		All companies included in the financial statements				
																Cash	Stock	Cash	Stock							
Director	YANG, SHANG-JU	-	-	-	-	287	287	20	20	307	0.12%	307	0.12%	-	-	-	-	-	-	-	-	307	0.12%	307	0.12%	None
Director	OU, JEN-CHIEH	-	-	-	-	529	529	55	55	584	0.23%	584	0.23%	1,670	1,670	73	73	280	-	280	-	2,607	0.99%	2,607	0.99%	None
Director	LIN, HSUEH-HWA	-	-	-	-	243	243	35	35	278	0.11%	278	0.11%	-	1,200	-	-	-	-	-	-	278	0.11%	1,478	0.57%	None
Director	OU, TZU-HUI	-	-	-	-	529	529	55	55	584	0.22%	584	0.22%	-	1,582	-	-	-	-	-	-	584	0.22%	2,166	0.82%	None
Independent director	TSOU, YEN-CHUNG	-	-	-	-	529	529	105	105	634	0.24%	634	0.24%	-	-	-	-	-	-	-	-	634	0.24%	634	0.24%	None

Title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to net income				Related payment in performing the duties as employees								The sum of A, B, C, D, E, F and G in proportion to net income				Any payment from direct investee companies other than the subsidiaries or the parent company
		Remuneration (A)		Pension and severance payment (B)		Remuneration to directors (C)		Professional allowances (D)						Salaries, bonus and special expense account (E)		Pension and severance payment (F)		Remuneration to employees (G)								
		The Company	All companies included in the financial statements	The Company	included in the financial	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company		All companies included in the financial statements				
																Cash	Stock	Cash	Stock							
Independent director	WU, TEH-CHUAN	-	-	-	-	529	529	55	55	584	0.22%	584	0.22%	-	-	-	-	-	-	-	-	584	0.22%	584	0.22%	None
Independent director	WU, HUEI-HUANG	-	-	-	-	529	529	105	105	634	0.24%	634	0.24%	-	-	-	-	-	-	-	-	634	0.24%	634	0.24%	None
Independent director	KO, HSIN-SUI	-	-	-	-	287	287	40	40	327	0.12%	327	0.12%	-	-	-	-	-	-	-	-	327	0.12%	327	0.12%	None
Total		-	-	-	-	6,878	6,878	665	665	7,543	2.87%	7,543	2.87%	6,772	9,554	106	106	820	-	820	-	15,241	5.80%	18,023	6.86%	-
1. Specify the policy, system, standard and structure of the fees for independent directors, and the association between the duties performed, the risk, the commitment of time and related factors and the amount of payment: The remuneration of the independent directors of the Company is implemented in accordance with the Company's Articles of Incorporation and the remuneration payment measure for functional committees. The remuneration of directors is based on the degree of participation in the Company's operations and the value of their contributions, and recommendations shall be made after considering the domestic industry standards and submitted to the board of directors for resolution.																										
2. Aside from what is disclosed in the above table, the remuneration earned by directors providing services (e. g. consultant as a non-employee) to the Company: None.																										

(ii) Remuneration to supervisors: Not applicable.

(iii) A. Remuneration to general managers and deputy general managers

31 December 2022; Unit: NT1,000

Title	Name	Salary(A)		Severance pay (B)		Bonus and allowance (C)		Profit sharing-employee bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)				Remuneration from ventures other than subsidiaries or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company		All companies included in the financial statements		
								Cash	Stock	Cash	Stock					
General manager	OU, CHENG-MING	2,760	2,760	-	-	433	433	300	-	300	-	3,493	1.33%	3,493	1.33%	None
Deputy general manager	CHAN, CHIA- NAN	1,776	1,776	108	108	431	431	600	-	600	-	2,915	1.11%	2,915	1.11%	None
Deputy general manager	OU, CHING- CHUAN	1,284	2,015	26	26	308	308	280	-	280	-	1,898	0.72%	2,629	1.00%	None
Deputy general manager	TSAI, KUO- CHI	1,656	1,656	33	33	253	253	240	-	240	-	2,182	0.83%	2,182	0.83%	None
Deputy general manager	TSAI, CHIN-TE	1,335	1,335	106	106	261	261	360	-	360	-	2,062	0.79%	2,062	0.79%	None
Deputy general manager	OU, JEN-CHIEH	5,095	5,095	230	230	1,212	1,212	1,060	-	1,060	-	7,597	2.89%	7,597	2.89%	None
Deputy general manager	CHANG, WEN- WING															
Deputy general manager	YEN, HWEI- FANG															
Deputy general manager	WANG, NAN-KUEI															

The Company's policy, standards, combination, procedures and its relationship with operating performance and future risks in paying managers' remuneration:

The amount of remuneration distributed to the managers of the Company is based on their duties, contributions, the Company's operating performance in the year and consideration of future risks. It will be reviewed by the Remuneration Committee and sent to the board of directors for resolution.

Remuneration scale

Remuneration to individual general managers and deputy general managers along the payment scale	Name of general manager and deputy general manager	
	The Company	All companies included in the financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)-NT\$2,000,000 (exclusive)	CHANG, WEN-MING, YEN, HWEI-FANG, WANG, NAN-KUEI	CHANG, WEN-MING, YEN, HWEI-FANG, WANG, NAN-KUEI
NT\$2,000,000 (inclusive)-NT\$3,500,000 (exclusive)	OU, JEN-CHIEH	OU, JEN-CHIEH
NT\$3,500,000 (inclusive)-NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) -NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) -NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000(inclusive)-NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	4 persons	4 persons

(iii) B. Names of managers with remuneration as employees and the disbursement:

31 December 2022; Unit: NT\$1,000

	Title	Name	Stock	Cash	Total	The total amount in proportion to net income (%)
Managers	General manager	OU, CHENG-MING	-	4,092	4,092	1.56%
	Deputy general manager	TSAI, KUO-CHI				
	Deputy general manager	CHANG, WEN-WING				
	Deputy general manager	YEN, HWEI-FANG				
	Deputy general manager	OU, CHING-CHUAN				
	Deputy general manager	OU, JEN-CHIEH				
	Deputy general manager	CHAN, CHIA-NAN				
	Deputy general manager	TSAI, CHIN-TE				
	Deputy general manager	WANG, NAN-KUEI				
	Senior manager and spokesman	MA, JONG-JYR				
	Senior manager	LIU, JAW-JUEH				
	Senior manager	WU, CHUN-HSIEN				
	Senior manager	LIAO, CHIEN-HSUN				
	Senior manager	TSENG, CHI-HUNG				
	Senior manager	LIN, WAN-CHIH				
	Senior manager	WANG, CHIN-YI				
	Senior manager	HSIEH, CHEN-MING				
	Senior manager	SHEN, CHING-WEN				
	Senior manager	HSUEH, CHING-YI				

(iv) The total payment from the Company and all companies included in the financial statements to the directors, general manager and deputy general manager as remuneration in the last two years in proportion to the net income and related analysis, and explain the policy, standard and components of payment, the procedure for setting the amount of payment, and the association with the operation performance and the risks in the future.

1. Analysis of the total amount of remuneration paid by the company and all companies in the financial report to the Company's directors, general managers and deputy general managers in the last two years as a percentage of the net profit after tax of the individual or individual financial reports:

	Total amount of remuneration to net profit after tax in 2022		Total amount of remuneration to net profit after tax in 2021	
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Director	10.55%	11.88%	33.86%	41.53%
General manager and deputy general manager				

2. Explain the policy, standard and components of payment, the procedure for setting the amount of payment, and the association with the operation performance and the risks in the future:

(1) The remuneration policy for directors(including independent directors):

Implemented in accordance with the Company's Articles of Incorporation and the remuneration payment method for directors and functional members. The remuneration of directors shall be determined by the board of directors according to their participation in the operation of the company and the value of their contributions and with reference to the domestic industry standards. However, the remuneration of each director shall be a maximum of NT\$1,000,000 per year. If the Company has a profit in the year, it should allocate no less than 4% as employee remuneration and no more than 3% as director's remuneration. However, when the Company still has accumulated losses, it should reserve the amount in advance to make up for it. The distribution of employee remuneration and directors' remuneration shall be carried out by the board of directors with the presence of more than two-thirds of the directors and a resolution approved by more than half of the directors present and reported to the shareholders' meeting. The Company's board of directors passed the resolution on 16 March 2023 for distributing the directors' remuneration of NT\$6,878,723 for 2022.

(2) The remuneration policy for the general manager and deputy general manager:

Owing that the manager's management ability, strategic planning and execution are the important forces to create the Company's operating performance. In order to closely integrate the personal goals of managers with the long-term and short-term business goals of the Company and the interests of shareholders, the principle of the Company's manager's salary policy is that the fixed salary is at a competitive level in the market, and the variable salary is based on the reasonable cooperation between the Company's operation and personal performance. And the Company also put emphasis on long-term incentive salaries and consideration of future risk for the purpose of encouraging managers to pay attention to the Company's long-term business goals and create a win-win situation for the Company, employees and shareholders. The employee remuneration and manager's remuneration for the distribution of the surplus shall be handled in accordance with the regulations of the Company's Articles of Incorporation. On 16 March 16 2023, the board of directors passed a resolution to propose the distribution of employee remuneration amounting to NT\$13,757,446 for 2022. After being reported to the shareholders' meeting, the date of distribution will be authorized by the chairman. The accumulated distributable surplus for 2022 amounts to NT\$346,382,903 (including the pending resolution of dividend distribution of NT\$63,410,600 from the 2023 shareholders' meeting).

iv. Implementation of corporate governance

(i) Operations of the board of directors

The Company convened a total of 8(A) board of directors' meetings in the recent period.
The attendance status of directors and supervisors was as follows:

Title	Name	Actual frequency attendance (as observer) (B)	Frequency of attendance by proxy	Actual attendance rate (%) 【B/A】	Remark
Chairman	OU, CHENG-MING	8	0	100%	Re-elected on 20 June 2022
Director	LIEN, TSUNG-FU	8	0	100%	Re-elected on 20 June 2022
Director	HSU, KUAN-CHUN	4	3	50%	Re-elected on 20 June 2022
Director	TSAI, KUO-CHI	8	0	100%	Re-elected on 20 June 2022
Director	YANG, SHANG-JU	4	0	100%	Date of newly-appointment: 20 June 2022 Required attendance frequency: 4 times
Corporate director	Zhao Zan Investment Co., Ltd. Representative: OU, JEN-CHIEH	4	0	100%	Date of newly-appointment: 20 June 2022 Required attendance frequency: 4 times
Corporate director	Yuan Rong Investment Co., Ltd. Representative: OU, TZU-HUEI	4	0	100%	Date of newly-appointment: 20 June 2022 Required attendance frequency: 4 times
Director	YANG, TE-HUA	1	1	25%	Date of previous tenure/ Date of re-election: 20 June 2022 Required attendance frequency: 4 times
Director	LIN, HSUEH-HWA	4	0	100%	Date of previous tenure/ Date of re-election: 20 June 2022 Required attendance frequency: 4 times
Director	OU, JEN-CHIEH	4	0	100%	Date of previous tenure/ Date of re-election: 20 June 2022 Required attendance frequency: 4 times
Director	OU, TZU-HUEI	4	0	100%	Date of previous tenure/ Date of re-election: 20 June 2022 Required attendance frequency: 4 times
Independent director	WU, TEH-CHUAN	5	2	63%	Re-elected on 20 June 2022
Independent director	WU, HUEI-HUANG	8	0	100%	Re-elected on 20 June 2022
Independent director	TSOU, YEN-CHUNG	8	0	100%	Re-elected on 20 June 2022
Independent director	KO, HSIN-SUI	3	1	75%	Date of newly-appointment: 20 June 2022 Required attendance frequency: 4times

Attendance of independent directors at 8 board meetings in 2022

Year	2022							
Name	1/19	3/22	5/9	5/31	6/20	8/8	11/8	12/23
WU, TEH-CHUAN	○	●	●	●	◎	●	○	●
WU, HUEI-HUANG	●	●	●	●	●	●	●	●
TSOU, YEN-CHUNG	●	●	●	●	●	●	●	●
KO, HSIN-SUI					●	●	●	○

Note : attend in person● attend by proxy○ absent◎

Other items required to be stated :

i. In the event of the following occurrences, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response thereto should be specified :

(i) Items listed in Article 14-3 of the Securities and Exchange Act:2022 and up to the date of publication of the annual report, and the content of the resolutions of the board of directors is as shown in the annual report III, iv.(xi)2. Details of important resolutions of the board of directors. Details of important resolutions of the board of directors. All independent directors have no objection to the matters listed in Article 14-3 of the Securities and Exchange Act.

(ii) Except for the previously mentioned matters, other matters resolved by the board of directors with objections or reservations of independent directors and with records or written statements: None.

ii. Execution of the director's recusal of the interest proposal shall state the name of the director, the content of the proposal, the reason for the recusal of interest, and the circumstances of participation in voting:

(i) The board discussion on 19 January 2022

1. In the first proposal, the Company reviewed the proposal for year-end bonus and top-level manager allocation in 2021. This proposal involves the self-interest of director OU, CHENG-MING, director LIN, HSUEH-HWA and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

2. In the second proposal, the Company reviewed the proposal for annual remuneration for top-level managers in 2021. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH, director LIN, HSUEH-HWA and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

3. In the fourth proposal, the Company reviewed the proposed private placement of cash to increase capital through the issuance of common shares. This proposal involves the self-interest of director OU, CHENG-MING, director OU, JEN-CHIEH, director LIN, HSUEH-HWA and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

(ii) The board discussion on 31 May 2022

1. In the first proposal, the Company reviewed and planned to determine the private placement date and pricing of common shares, as well as other related matters. This proposal involves the self-interest of director OU, CHENG-MING, director OU, JEN-CHIEH, director LIN, HSUEH-HWA, and OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

(iii) The board discussion on 17 January 2023

1. In the first proposal, the Company reviewed the proposal for year-end bonus and top-level manager allocation in 2022. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.
2. In the second proposal, the Company reviewed the proposal for annual remuneration for top-level managers in 2022. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH, and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

(iv) The board discussion on 4 May 2023

1. In the second proposal, the Company reviewed the proposal for employee remuneration and top-level manager allocation in 2022. This proposal involves the self-interest of director OU, CHENG-MING, director TSAI, KUO-CHI, director OU, JEN-CHIEH, and director OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.
2. In the third proposal, the Company reviewed and planned to determine the private placement date and pricing of common shares, as well as other related matters. This proposal involves the self-interest of director OU, CHENG-MING, director OU, JEN-CHIEH and OU, TZU-HUEI, according to the law, they abstained from attending the meeting and did not participate in the discussion and voting. With the consent of all the remaining directors present, the proposal was passed without objection.

iii. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, the scope of the evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the board of directors, and to fill out “Implementation Status of Board Evaluations”:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year regularly	1 January 2022 – 31 December 2022	The board of directors	Internal self-evaluation of the board of directors and self-evaluation of board members.	<p>The measurement items for the performance evaluation of the board of directors include:</p> <ol style="list-style-type: none"> 1. Level of participation in the operation of the Company. 2. The quality of decision-making of the Board. 3. The composition and structure of the board. 4. Election of directors and continuing education. 5. Internal control, etc. <p>The measurement for the evaluation of the performance of individual board members includes:</p> <ol style="list-style-type: none"> 1. The control of the objective and mission of the Company. 2. Awareness of the duties of the directors. 3. Level of participation in the operation of the Company. 4. Cultivation of internal relation and communication 5. Professional designated and continuing education of the directors 6. Internal control

iv. Goals for strengthening the functions of the board of directors in the current year and the recent year (e.g. establishing an Audit Committee, enhancing information transparency, etc.) and evaluation of their implementation status:

- (i) The Company's 9th "Corporate Governance Evaluation" of TWSE/TPEX-listed companies in 2022, the evaluation results were ranked as the top 81%-100% companies.
- (ii) The Company established an Audit Committee on 21 June 2016, assisting in supervising the fair presentation of the Company's financial statements, the selection (dismissal) and independence and performance of CPAs, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and the management and control of the Company's existing or potential risks. There is a total of four Audit Committee members.
- (iii) Implementation status assessment:
 - 1. In addition to providing directors with relevant regulations at any time, the Company also reports business overview at the board meeting and prepare the relevant information of the proposal for the directors to refer to.
 - 2. Provide regular training courses for directors to strengthen the capabilities of board members. In 2022, there were 13 directors (including the two directors who have been removed) participated in training courses, with a total of 94 hours.
 - 3. Disclose corporate governance information on the Company's website on a quarterly basis, and update the resolutions of the board of directors.
 - 4. In order to implement corporate governance and enhance the functions of the board of directors and strengthen the operation efficiency of the board of directors to establish performance goals, the performance evaluation method of the board of directors was formulated on 15 January 2020 and conduct the performance evaluation before the first quarter of the following year. The total score of the board performance self-assessment is 90 points, and the evaluation result is rated as "good". The total score of the performance self-assessment of individual board members is 94 points, and the evaluation result is rated as "excellent". And the result has been submitted and reported to the board of directors on 16 March 2023.

(ii) Audit Committee's operation status

- 1. Audit Committee establishment status: The Company has established an Audit Committee since 21 June 2016, assisting in supervising the fair presentation of the Company's financial statements, the selection (dismissal) and independence and performance of CPAs, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and the management and control of the Company's existing or potential risks. There is a total of four Audit Committee members.

2. Information on the operation of the Audit Committee:

The Company convened a total of 7 (A) meetings of the Audit Committee in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Independent director (convenor)	TSOU, YEN-CHUNG	7	0	100%	Re-elected on 20 June 2022
Independent director (committee member)	WU, TEH-CHUAN	4	2	57%	Re-elected on 20 June 2022
Independent director (committee member)	WU, HUEI-HUANG	7	0	100%	Re-elected on 20 June 2022
Independent director (committee member)	KO, HSIN-SUI	3	1	100%	Took up the position on 20 June 2022

Other items required to be stated:

- i. In the event of the following occurrences, the dates of the meetings, sessions, contents of motion, dissenting opinions or reserved opinions from independent directors, or significant recommendations, the resolution of the Audit Committee and the Company's response thereto should be specified.

(i) Items listed in Article 14-5 of the Securities and Exchange Act.

Date of meeting	Content of proposal
19 January 2022 (The 2th Audit Committee, The 15th meeting)	<ul style="list-style-type: none"> The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares.
22 March 2022 (The 2th Audit Committee, The 16th meeting)	<ul style="list-style-type: none"> The resolution has been passed for the Company's 2021 annual business report and financial statement. The resolution has been passed for the Company's 2021 profit and loss appropriation. The resolution has been passed to suspend the subsidiary's provision of endorsement and guarantee credit facilities to the parent company. The resolution has been passed to add the subsidiary's provision of endorsement and guarantee credit facilities to the parent company. The resolution has been passed for the Company's "Statement of Internal Control System" for 2021. The resolution has been passed for the Company's regular assessment of the independence status of CPAs. The resolution has been passed for the review of the Company's CPA fees of financial statement and tax report. The resolution has been passed for the adjustment to the Company's organizational structure. The resolution has been passed for the Company's re-election of directors. The resolution has been passed to lift the non-compete restrictions for newly-elected directors of the Company. The resolution has been passed to amend certain articles of the "Procedures for the Acquisition or Disposal of Assets" of the Company.
9 May 2022 (The 2th Audit Committee, The 17th meeting)	<ul style="list-style-type: none"> The resolution has been passed for the Company's consolidated financial statements for the first quarter of 2022.

20 June 2022 (The 3th Audit Committee, The 1st meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's appointment of the convener and meeting chair of the Audit Committee for the third term of the Audit Committee.
8 August 2022 (The 3rd Audit Committee, The 2nd meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's internal rotation and adjustment of CPAs. ● The resolution has been passed for the Company's consolidated financial statements for the second quarter of 2022. ● The resolution has been passed for the endorsement and guarantee between the Company and the investee company.
8 November 2022 (The 3rd Audit Committee, The 3rd meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's consolidated financial statements for the third quarter of 2023. ● The resolution has been passed to amend the Company's audit plan for 2023. ● The resolution has been passed for the Company's regular assessment of the independence status of CPAs.
23 December 2022 (The 3rd Audit Committee, The 4th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed to adjust the subsidiary's provision of endorsement guarantees and credit facilities to the parent company. ● The resolution has been passed to convert debt into equity for UMEC VIETNAM Co., Ltd., which is the subsidiary of the Company.
16 March 2023 (The 3rd Audit Committee, The 5th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's 2022 annual business report and financial statement. ● The resolution has been passed for the Company's 2022 profit and loss appropriation. ● The resolution has been passed to provide funding loans between the Company and the investee companies. ● The resolution has been passed for the Company's "Statement of Internal Control System" for 2022. ● The resolution has been passed to amend certain articles of the "Regulations Governing Internal Control Systems" of the Company. ● The resolution has been passed to amend certain articles of the "Internal Audit Implementation Rules" of the Company. ● The resolution has been passed to review the Audit Quality Indicators (AQI) of the CPAs and establish a pre-approval process for non-assurance services by EY Taiwan and its affiliated companies. ● The resolution has been passed for the audit of the Company's CPA fees of financial statement and tax report for 2023. ● The resolution has been passed to discontinue the proposed private placement of cash for the issuance of common shares, which was intended to be approved at the Company's extraordinary general meeting of shareholders for the first time in 2022. ● The resolution has been passed to amend certain articles of the "Procedures For the Acquisition or Disposal of Assets" of the Company.
4 May 2023 (The 3rd Audit Committee, The 6th meeting)	<ul style="list-style-type: none"> ● The resolution has been passed for the Company's consolidated financial statements for the first quarter of 2023. ● The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares.
The dissenting opinions or reserved opinions from independent directors, or significant recommendations: None.	
The resolution of the Audit Committee and the Company's response thereto: The Audit Committee members unanimously approved all the proposals, and the board of directors, based on the recommendations of the Audit Committee, approved all the proposals.	
(ii) Except for the previously mentioned affairs, other affairs have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors:None.	

- ii. In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, content of the resolution, reason for recusal, and his or her voting participation should be properly recorded: None.
- iii. Communication between independent directors and internal audit supervisors and CPAs (regarding issues such as company financial and operational status, procedures, and results)
- (i) The independent directors and internal audit supervisors usually communicate via email, telephone or meeting. And conduct internal audit reports at quarterly Audit Committee meetings. In case of special circumstances, report to the Audit Committee immediately. The Material Communication Content between the Auditing Committee and the head of internal audit is as follows:

Date	The point of communication	Result
19 January 2022	Discussion and communication on the internal audit business execution report from October 2021 to December 2021.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report.
22 March 2022	<ul style="list-style-type: none"> Discussions and resolution on the summary report of the internal control self-assessment for 2021. Discussion and communication on the internal audit business execution report from January 2022 to February 2022. 	After the discussion and communication, the independent directors have no objection to the summary report of internal control self-assessment for 2021 and the internal audit business execution report.
9 May 2022	Discussion and communication on the internal audit business execution report for March 2022.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report.
8 August 2022	Discussion and communication on the internal audit business execution report from April 2022 to June 2022.	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report.
8 November 2022	<ul style="list-style-type: none"> Discussion and communication on the internal audit business execution report from July 2022 to September 2022. Discussion and communication on the internal audit plan for 2023. 	After the discussion and communication, the independent directors have no objection to the results of the audit business execution report and the internal audit plan for 2023.

- (ii) In addition to reporting the audit or review of the financial report to the independent directors, the CPAs of the Company also give suggestions and relevant countermeasures on the Company's overall operation, internal control audit, update publicity of financial and tax laws, etc. Furthermore, the CPAs attend the Audit Committee from time to time (twice a year) and report the audit status of financial statements.

The main communication content between CPAs and independent directors in 2022 is as follows:

Date	The point of communication	Result
22 March 2022	1. Explanation of the audit results of the consolidated statements and parent company only financial statements in 2021, and communicated about crucial audit matters. 2. Promotion of financial and tax law updates.	Independent directors had no objection.
8 August 2022	1. Explanation of the review results of the consolidated financial report for the second quarter of 2022 and communicated about key audit matters. 2. The Company's internal rotation and adjustment of CPAs and the independence and competency of CPAs. 3. Promotion of financial and tax law updates.	Independent directors had no objection.

(iii) The Company's website/corporate governance corner has set up the communication status of independent directors and regularly updates the communication progress.
Website address: <http://www.umec.com.tw/Investor/CorporateGovernance>

3. Participation of supervisors in the operation of the board of directors: Not applicable.

(iii) Pursuit of corporate governance varied with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation:

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
i. Does the company establish and disclose the “Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?”	✓		The Company has established the Corporate Governance Best Practice Principles, handling and continuing to promote corporate governance operations in accordance with relevant regulations.	No deviation
ii. Shareholding structure & shareholders’ rights (i) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(i) The company has established a spokesperson system to deal with shareholders’ issues, and there are spokespersons and proxy spokespersons to effectively handle shareholder suggestions or disputes and other related issues. If the law is involved, it will be handled by the legal counsel.	No deviation
(ii) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(ii) The Company has established a stock undertaking staff responsible for handling related matters, and appointed the shareholder service agency “the shareholder services department of President Securities Corporation” to assist in processing and can effectively grasp the list of major shareholders.	No deviation
(iii) Does the company establish and executes the risk control and firewall mechanism with the affiliated enterprise?	✓		(iii) The Company’s internal control covers the risk management at the enterprise level and operational activities at the operational level. In addition, there are regulations on the supervision of subsidiaries to implement the risk control mechanism for subsidiaries and the audit unit conducts regular audits.	No deviation
(iv) Does the company formulate the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the information undisclosed in market?	✓		(iv) The Company has stipulated the “Procedures for Handling Material Inside Information” and “Code of Conduct for Employees “ to prevent improper disclosure of undisclosed information. Internal personnel is informed about relevant laws and penalties regarding insider trading. Directors and executives are required to sign confidentiality agreements and faithfully abide by them. An educational campaign on preventing insider trading should be conducted at least once a year for directors, executives, and employees.	No deviation
iii. The organization and function of the board (i) Does the board of directors draft the diversification policy, specific management objective and implements it in terms of the member composition?	✓		(i) 1. The Company's " Corporate Governance Best Practice Principles " has stipulated that the composition of the board of directors should consider diversity, and formulate an appropriate diversification policy according to its own operation, operation	No deviation

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>type and development needs. The policy is that the board members should generally possess the knowledge, skills and qualities that are required to perform their duties.</p> <p>2. There are 11 board members in this session, of which about 27% are also served as employees, about 36% are independent directors, and 9% are female directors to implement gender equality. There are a total of four independent directors in the third term, three of whom have served for six years to the current date.</p> <p>There are three independent directors in the second session, and the tenure until the current term of office is about six years. All directors of the company possess the professional knowledge, skills and qualities to perform their duties. Those directors with industry experience account for about 91%, and those with professional qualifications account for about 9%. Please refer to this handbook for professional background information on directors (3.2.1 Information on directors and supervisors). For the gender ratio and professional background of the board members, please refer to Investor /Director Member Information on the official website of UMEC.</p> <p>3. Specific management objectives and achievement of the diversity policy: The board of directors should contain at least one female member and an independent director shall serve no more than three consecutive terms, the mentioned goal had been achieved. (Please refer to Investor/ Corporate Governance/Director Diversification Implementation Situation on the official website of UMEC. https://www.umec.com.tw/Investor/CorporateGovernance.</p>	
(ii) Does the company voluntarily set other functional committees apart from the Remuneration committee and Audit ?		✓	(ii) In addition to the Remuneration Committee and the Audit Committee, the company currently has no other functional committees.	Yet to be evaluated.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
(iii) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		(iii) The Company formulated the performance evaluation method of the board of directors on 15 January 2020. Please refer to http://www.umec.com.tw/file/COOP_GOVMAINTAIN/Director's Performance Evaluation Method.pdf . In addition, the board performance evaluation of 2022 has been completed and submitted to the board report performance evaluation results on 16 March 2023. And the evaluation will be used as a reference for individual directors' remuneration and nomination for re-appointment.	No deviation.
(iv) Does the company regularly evaluate the independence of CPAs?	✓		(iv) The independence and adequacy of the CPAs are regularly assessed by the Audit Committee every year, and confirm whether it is a director, shareholder or non-interested person of the company according to the evaluation procedure. Also, require the CPAs to provide a "Declaration of Independence" to confirm that his/her audit or review work complies with the relevant regulations of the independence of issue No. 10 of the Code of Professional Ethics for Accountants of the R.O.C. and there is no violation of relevant regulations that affect the independence of the accounting firm. 1. The accountant has no direct or material indirect financial interest in the company. 2. The accountant has no financing or guarantee with the directors of the company. 3. There is no significant commercial relationship between the accountants and the members of their audit service team and the Company. 4. The family members of the accountants and members of the audit service team do not hold the positions of directors, supervisors, managers or any direct and significant influence on the audit work of the Company. 5. The CPAs and members of the audit service team do not hold the positions of directors, supervisors, managers, or any direct and significant influence on the audit work of the Company. 6. The company does not provide gifts or special offers relevant	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>to business habits to members of the audit service team or significant abnormal social customs.</p> <p>7. The accountant has served as the lead accountant of the company for less than seven years and can be returned to the office after at least two years of job rotation.</p> <p>8. Accountants are in accordance with the independence for non-audit services provided by the company.</p> <p>9. Obtain a declaration of independence from the accountant for the board members.</p>	
iv. Has the Company appointed a competent and appropriate number of personnel to perform the function of corporate governance, and a designated Corporate Governance Officer charged with corporate governance and related affairs (including but not limited to supplying the Directors and the Supervisors with information required for their performance of duties, assistance to the Directors and the Supervisors in law and compliance, administrative affairs pertinent to the convention of the Board and the Shareholders Meeting, keeping minutes of meeting on record for the convention of the Board and the Shareholders Meeting)?	✓		<p>The Company has approved the appointment of the director of corporate governance during the board meeting held on 16 March 2023. The position will be concurrently held by the senior manager of the finance and accounting department. Furthermore, the appointee has the qualifications of having served as a financial, shareholder, and corporate governance affairs manager in a public company for over three years. Currently, the responsibilities related to corporate governance are jointly handled by the management department and the finance department. The primary duties include the following:</p> <p>(i) The management department is responsible for planning the organizational structure and related laws and regulations and setting up a special corner for stakeholders and communication channels. The personnel will be responsible for dealing with the relevant stakeholders' response matters and respecting the rights and interests of stakeholders. In addition, a corporate governance corner has been set up, and relevant regulations and implementation status are updated on the Company's website in real time to improve information transparency. The Company's website address: http://www.umec.com.tw/Investor/CorporateGovernance</p> <p>(ii) The finance department assists in providing the information required by the directors to execute their business and it is also responsible for handling shareholders' meetings and the convening of the board of directors. Before the shareholders'</p>	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			meeting, it seeks opinions from various departments and directors to plan and formulate the agenda, register the date of the shareholders' meeting within the prescribed time limit, and prepare the proceedings manual and minutes. Additionally, the Company appointed the shareholder service agency “the shareholder services department of President Securities Corporation” for handling shareholders' stock affairs and protecting shareholders' rights and interests.	
v. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		(i) The Company has set up the “Corporate Social Responsibility Corner” and “Stakeholders Corner” on the Company’s website, providing stakeholders with non-stakeholder contact channels other than shareholders, employees, customers, suppliers and investors. In addition, providing a dedicated staff that is responsible for responding to relevant questions. (ii) Contact methods include telephone and dedicated e-mail to establish communication channels with stakeholders. (iii) Please refer to the Company’s website for relevant information: http://www.umec.com.tw/Investor	No deviation.
vi. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appointed “the shareholder services department of President Securities Corporation” to handle shareholder meeting affairs.	No deviation.
vii. Information Disclosure (i) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(i) The Company has set up a company website. Company website address: http://www.umec.com.tw/Investor/FinanceAndShareholders , and establish an “Investor Corner” to expose various financial, operational and corporate governance-related information.	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
(ii) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(ii) The Company has set up three language web pages in traditional Chinese, English and Japanese, and provides dedicated e-mail mailboxes for related businesses. And has established "internal material information processing operation procedures" to establish a good internal material information processing and disclosure mechanism. Also, there is a dedicated person responsible for the collection and disclosure of information. And implement the spokesperson system as a bridge for external communication, and the spokesperson and dedicated person will disclose important information online. In addition to announcing monthly consolidated revenue, the company regularly discloses the results of quarterly board resolutions and financial reports on the company's official website to improve the Company's information disclosure.	No deviation.
(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?		✓	(iii) The issue is still under discussion. At present, there are no enough internal and external resources to announce in advance.	Still under discussion.
viii. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors	✓		(i)Employee Rights: The Company established an Employee Welfare Committee on February 1994 to implement the pension system, and take out group insurance for employees, plan for further education and training of employees, attach importance to labor relations, and ensure employees' rights and interests. (ii) Employee Care: The Company provides employee group insurance for complete employee health management, and regularly conducts employee education and training to motivate talents in a timely manner. The Company's welfare system stabilizes the life of employees through various activities and benefits, such as organizing domestic and foreign travel for employees, subsidies for club activities, subsidies for	No deviation.

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>departmental dinners, subsidies for employees’ weddings, subsidies for employees’ maternity, Labor Day on 1 May, the celebration for employees’ birthdays, Mid-Autumn Festival and other gifts (coupons), year-end bonuses, provision of staff dormitories, and physical fitness Gym, 24HR ATM, employee car parking lot, etc. In addition to holding regular labor-management meetings and providing employee complaint channels to make communication channel smooth, the company's internal employee webpage also specifies various management measures and employees' rights, and employee obligations and welfare items are clearly defined on the webpage. Also, regular meetings are held to review the content of benefits to protect the rights and interests of employees.</p> <p>(iii) Investor Relation: The Company is required to disclose information in the public information observatory according to laws and regulations to protect the rights and interests of investors, and the investor mailboxes and spokesperson contact channels are stated on the company's website. Every year, the shareholders' meeting is convened in accordance with the provisions of the Company Law and relevant laws and regulations, and shareholders are also given sufficient opportunities to speak or make proposals. There is also a spokesperson system to deal with shareholder suggestions, doubts and disputes. The company also formulates the rules of procedure for shareholders' meetings and handles relevant information announcements and declarations in accordance with the regulations of the competent authorities, and timely provides various information that may affect investors' decision-making.</p> <p>(iv) Supplier Relation: The Company keeps in touch with suppliers at any time, adhering to the principle of reciprocity to create a win-win partnership. The supplier's opinion mailbox and the contact channel of the dedicated personnel for handling complaints are stated on the Company’s website.</p> <p>(v) Stakeholder Rights: The Company's website www.umec.com.tw</p>	

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>has a “Stakeholders Corner” for disclosing financial and business-related information and setting up mailboxes for stakeholders to raise relevant questions and suggestions. The Company's share transfer agent “the stock transfer agency department of President Securities of Corporation” also assists in handling related issues and suggestions from shareholders and the Company's stakeholders, etc. If legal issues are involved, professional lawyers will be appointed to deal with them to safeguard the rights and interests of stakeholders. In addition, the directors of the company adhere to the principle of high self-discipline, and those who have interests in the board of directors shall not participate in the voting.</p> <p>(vi) The Continuing Education of the Directors: The directors of the Company focus on industry development and continuous education in corporate governance, and the Company regularly arranges for directors to participate in refresher courses such as corporate governance. For relevant information please refer to the explanation of “Status of directors further education” of the annual report (3.4.8 Disclosure of directors’ further education).</p> <p>(vii) The Implementation Status of Risk Management Policy and Risk Assessment Standard : The company has set up an audit office, formulated various internal regulations according to law, carried out various risk management and assessment, and strictly controlled risks.</p> <p>(viii) The Implementation Status of Customer Policy: The Company and customers have always maintained a stable and good relationship. The Company's website has set up a “Stakeholders Corner” and the following is the Company’s website address: http://www.umec.com.tw/Investor Set up a mailbox and telephone handled by a dedicated person for customer opinions and provide a channel for stakeholders to put forward relevant questions and suggestions.</p> <p>(ix) The Status of Taking Liability Insurance for the Company’s</p>	

Items of evaluation	The pursuit			Variation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation
	Yes	No	Summary Explanation	
			<p>Directors and Supervisors:</p> <p>The Company has taken out liability insurance for directors (including independent directors) in 2022 and adopted an annual review of the policy content to improve the renewal conditions. And reported the director's liability insurance items, amount, coverage and other matters at the board meeting on 9 May 2022.</p>	
<p>ix. Explain the corrective action taken in response to the evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and special attention and additional effort on issues that needed to be addressed as top priority:</p> <p>According to the evaluation of 9th corporate governance evaluation (evaluation for the 2022), the following is an explanation of the areas in which the Company did not score and the improvements made:</p> <p>(i) Improvements made by the Company in 2023 are as follows:</p> <ol style="list-style-type: none"> 1. The Company has appointed a corporate governance supervisor on 16 March 2023. 2. At least one internal audit staff member has obtained the Certified Internal Auditor (CIA) certification. 3. The Company has uploaded an English version of the meeting handbook at least 30 days before the shareholders' meeting. 4. The Company has uploaded an English version of the annual report at least 14 days before the shareholders' meeting. <p>(ii) The Company will continue to assess the feasibility of future improvements regarding the areas where we have not scored well, in order to meet corporate governance requirements.</p>				

Note: Regardless of whether the operational status is selected as “Yes” or “No”, it should be specified in the summary description field

(iv) Composition, responsibilities, and operation of the Remuneration Committee:

On 27 December 2011, the board of directors of the Company formulated the articles of association of the Remuneration Committee in accordance with the "Measures for the Establishment and Execution of Powers of the Remuneration Committee of Companies Listed in Stocks or Trading in the Business Office of Securities Firms", and appointed WU, TEH-CHUAN, WU, HUEI-HUANG, TSOU, YEN-CHUNG and KO, HSIN-SUI, etc. as members of the 5th Remuneration Committee of the Company. It is stipulated in the Articles of Incorporation that members shall perform their duties faithfully with the attention of the fiduciary, and submit their suggestions to the board of directors for discussion.

1. Profiles of the members of the Remuneration Committee

5 May 2023

Condition	Professional qualifications and work experience	Independence status (Note)										Amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years	Number of companies where the members of the Remuneration Committee also hold concurrent position as members of Remuneration Committee
		1	2	3	4	5	6	7	8	9	10		
Identity	Name												
Independent Director	WU, HUEI-HUANG	Possess the work experience required for business, legal, financial, accounting or corporate operations	√	√	√	√	√	√	√	√	√	0	0
Independent Director	WU, TEH-CHUAN	Possess the work experience required for business, legal, financial, accounting or corporate operations	√	√	√	√	√	√	√	√	√	0	0
Independent Director	TSOU, YEN-CHUNG	1. Possess the work experience required for business, legal, financial, accounting or corporate operations 2. The professional and technical personnel who has passed the national examination for accountants and obtained a certificate	√	√	√	√	√	√	√	√	√	0	2
Independent Director	KO, HSIN-SUI	Possess the work experience required for business, legal, financial, accounting or corporate operations	√	√	√	√	√	√	√	√	√	0	0

Note: Independence status: Please specify the independence status of the members of the Remuneration Committee, including but not limited to holding a position as director, supervisor or employee of the Company and its affiliates by the person, spouse, or kindred within the 2nd tier. Quantity and proportion of Company shares held by the person, spouse, and kindred within the 2nd tier (or in the name of a third party), holding a position as director, supervisor or employee of companies in special relation with the Company (refer to Subparagraphs 5-8 of Paragraph 1 under Article 6 of the Regulations Governing the Appointment and Exercise of Powers by The Remuneration Committee of a Company whose stock is listed on Taiwan Stock Exchange or Taipei Exchange), the amount of remuneration for rendering services in commerce, legal affairs, finance, and accounting to the Company or its affiliates in the last 2 years. Please type √ in the space below each condition code.

(1) Not an employee of the company or its affiliates.

(2) Not a director or supervisor of a non-company or its affiliates (However, if the independent directors of the company and its parent company, subsidiaries or subsidiaries of the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other, this limitation shall not apply.)

(3) Individuals other than themselves and their spouses, minor children or natural person shareholders who hold more than 1% of the company's total issued shares or hold the top ten shares in the name of others.

(4) Not the managers listed in (1) or the spouse, relatives within the second degree or lineal blood relatives within the third degree of the person listed in (2) and (3).

(5) Not the directors, supervisors or corporate shareholders who directly hold 5% or more of the total issued shares of the company, who hold the top five shares, or who designate a representative to serve as a director or supervisor of the company in accordance with Paragraph 1 or 2 of Article 27 of the Companies Act, or employed person (except if the company and its parent company, subsidiary or subsidiary of the same parent company

are independent directors established in accordance with this law or the laws of the local country, this limitation shall not apply)

- (6)Not the directors, supervisors or employees of other companies whose seats or voting shares are more than half of which are controlled by the same person (However, if the independent directors of the company or its parent company, subsidiaries or subsidiaries of the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other, this limitation shall not apply)
- (7)A director (council), supervisor or employee of another company or institution that is not the same person or whose spouse as the chairman, general manager or equivalent of the company (but if it is the company and its parent company or subsidiary or independent directors of subsidiaries of the same parent company established in accordance with this Act or the laws of the local country serve concurrently with each other, except for this limitation)
- (8)Not the directors (council), supervisors, managers or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company (However if a specific company or institution holds more than 20% but not more than 50% of the total issued shares of the company, and is an independent director established by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this Law or the laws of the local country Mutual concurrently, not limited)
- (9)Professionals, sole proprietorship, partnership, company or institution business owners who are not professionals who provide auditing services for companies or related companies or whose accumulated remuneration in the last two years does not exceed NT\$500,000 in business, legal, financial, accounting and other related services, Partners, directors (council), supervisors (supervisors), managers and their spouses. However, this does not apply to the members of the Compensation and Remuneration Committee, the Public Takeover Review Committee or the Special Committee on Mergers and Acquisitions who perform their functions in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Mergers and Acquisitions Act.
- (10)There are no circumstances of Article 30 of the Company Act.

2. Information on the function of the Remuneration Committee:

- (1) The Remuneration Committee of the Company consists of 4 members.
- (2) Tenure of the members in the current term: the previous term of office lasted from 8 August 2022 to 19 June 2025. The committee has convened 3 meetings(A).
(The Remuneration Committee convened three meetings in 2022, which included the 4th Remuneration Committee convened on meeting and the 5th Remuneration Committee convened 2 meetings.) The eligibility of the members and attendance to committee sessions of the members are specified below:

Title	Name	Actual frequency of attendance (B)	Frequency of attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	WU, HUEI-HUANG	3	0	100%	Re-elected on 8 August 2022
Member	WU, TEH-CHUAN	1	2	33%	Re-elected on 8 August 2022
Member	TSOU, YEN-CHUNG	3	0	100%	Re-elected on 8 August 2022
Member	KO, HSIN-SUI	2	0	67%	Re-elected on 8 August 2022

Additional information:

- If the board does not adopt or amend the suggestions of the Remuneration Committee, it shall state the date, term, proposal content, resolution results of the board of directors and the Company's response to the Remuneration Committee (such as the remuneration approved by the board of directors is better than the suggestions of the Remuneration Committee, should explain the discrepancy and its reasons): None.
- Should a committee member oppose or retain their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded: None.
- The proposals and results of the meeting and the Company's response to members' Opinions:

Date	Proposal details and resolution results
The 6 th Meeting, The 4 th Remuneration Committee (19 January 2022)	<ol style="list-style-type: none"> 1. Year-end bonus and allocation of senior managers in 2021. 2. The proposal of annual remuneration for senior managers in 2021. 3. The detailed amount of directors' remuneration distribution in 2021.
	<p>Opinions of members: No objection or unqualified opinion. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>
The 1st Meeting, The 5 th Remuneration (8 August 2022)	<ol style="list-style-type: none"> 1. Signing of confidentiality agreements and election of convener for the establishment of the 5th Remuneration Committee.
	<p>Opinions of members: Director WU, HUEI-HUANG was nominated as the convener and chairman of the 5th Remuneration Committee. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>
The 2nd Meeting, The 5 th Remuneration (8 November 2022)	<ol style="list-style-type: none"> 1. Promotion of the Company's senior managers in 2022. 2. The amendment of certain articles of the Company's "Remuneration Committee Charter"
	<p>Opinions of members: No objections or unqualified opinions. Resolution result: The chairman consulted all the attending members and passed the proposal without objection. The Company's response to the opinions of the Remuneration Committee: All members of the committee acted in favor of these motions in common consent and submit to the board.</p>

(v) The advocacy of sustainable development and variation from the “Sustainable Development Best Practice Principles of TWSE/TPEX Listed Companies” ,and the reason:

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
i. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) position to promote sustainable development, which is authorized by the board of directors to handle senior managers, and the board of directors supervises the situation?		✓	The issue is still under evaluation.	Still under evaluation.
ii. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note1)	✓		While pursuing corporate sustainable development and profit of the Company, the Company upholds the obligation to fulfill corporate social responsibility and attaches great importance to the rights and interests of stakeholders. The company focuses on environmental, social and corporate governance issues and incorporates them into company management policies and operational activities to achieve the goal of sustainable operation.	No deviation.
iii. Environmental Issue (i) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		In response to international trends and customer demands, the Company has established an environmental management system. On July 2022, the Company successfully passed the regular ISO 14001:2015 annual verification by SGS. A new certificate has been issued, valid until 2025.	No deviation.
(ii) Does the Company make effort in upgrading energy efficiency and using regenerated materials for mitigating the impact on the environment?	✓		The Company actively promotes resource reuse efficiency, including internal document recycling and reusing the paper, comprehensive replacement of water-saving faucets, and wastewater recycling, which contributes to the quality of the water environment. The Company is committed to environmental protection, and its specific achievements are as follows : 1. In 2022, the ratio of products in compliance with the management standard of restricted hazardous substances (ROHS) reached 100%. 2. Reuse of waste packaging materials for product shipment packaging. 3. The recycle and reuse of hydrocarbon cleaners have reached a 90% recovery rate.	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(iii) Does the Company assess the potential risk and opportunity for the enterprise to bring about by climate change, and take appropriate measures in responding to climate change issues?	✓		The Company has also started to vigorously promote energy-saving measures and green factory construction, such as promoting the construction of rooftop photovoltaics and ground photovoltaics, eliminating low-efficiency motors to improve energy conservation, setting the temperature of air conditioners, turning off lights when leaving, saving water, etc. Saving electricity consumption by 1% per year is the energy saving and emission reduction goal, and the Company strives to achieve them.	Relevant with the principle.
(iv) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		<p>1. The Company has initiated the process of conducting a greenhouse gas inventory and verification. The Company anticipates conducting external verification in August of 2023. Due to the addition of a new facility (extension), the carbon emissions for 2022, calculated based on the electricity consumption provided by Taiwan Power Company, amounted to 3,463,739 kg (compared to 3,238,200 kg in 2021).</p> <p>2. The Company's faucets are changed to misting faucets to reduce water waste.</p> <p>3. The Company's indoor and outdoor factories have been evaluating and replacing LED lighting one by one to reduce electricity consumption.</p> <p>4. The Company is concerned about the abnormal phenomenon of global warming and climate, the air conditioner uses the ice storage system to save electricity consumption, and also strengthens the paperless process to reduce the amount of paper consumption and the recycling of wastepaper and consumables.</p>	Relevant with the principle.
iv. Social Issue (i) Does the Company set up management policy and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		The Company abides by the Responsible Business Alliance (RBA) and the labor acts and international human rights principles where it operates. The Company does not force labor, does not use child labor, and does not use foreign illegal laborers, providing a safe and healthy working environment, improving the quality of products and services, the stability of production, and the loyalty and morale of employees. Strictly prohibit underaged employees from engaging in dangerous work, and all wages, working conditions and safety and health standards are established in accordance with national and regional laws and regulations. In terms of capital management, institutionalization	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			and humanization are absolutely taken into account. In terms of appointment and employment, salary and reward, education and training, performance evaluation, job promotion, transfer and dismissal, retirement, etc., it is not affected by factors such as race, social class, gender or political party orientation, there are no circumstances as discrimination. Moreover, the Company deals with employees’ labor health insurance, and provides labor pensions to ensure labor rights and interests. Additionally, taking out insurance for all employees with commercial insurance such as group accident insurance and life insurance. During the manufacturing process, minimizing the adverse impacts on communities, the environment and natural resources, while safeguarding the health and safety of the public. Adhere to the highest standards of integrity in all business interactions and adopt a zero-tolerance policy that prohibits any form of bribery, embezzlement, extortion and misappropriation of public funds. Respect intellectual property rights; transfer technical and production knowledge in a way that protects intellectual property rights; and protect customer and supplier information.	
(ii) Does the Company establish appropriately managed employee welfare measures (including salary, leave, and other benefits), and is its operational performance and achievements reflected in their pay?	✓		The Company formulates working conditions and various salary and welfare measures for employees in accordance with government labor-related laws and regulations, and according to the job title, function, learning experience, performance, market conditions, future development of the company and other factors, taking into account the retention of outstanding colleagues and shareholders' rights, pay a market-competitive salary level.	Relevant with the principle.
(iii) Does the Company provide employees with a safe and healthy work environment and regularly implement safety and health education programs for employees?	✓		<p>1. The Company is committed to providing employees with a safe and healthy working environment, and regularly implements safety and health education through education and training opportunities for new employees.</p> <p>2. The Company has passed the ISO45001 management system certification.</p> <p>3. In 2022, the Company recorded a total of four work-related incidents, including two commuting accidents, one burn injury, and one injury caused by falling objects. The occupational injury rate accounts</p>	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			for 0.51% of the total number of employees. The Company has provided relevant education, training, and awareness campaigns for employees who have experienced work-related incidents.	
(iv) Does the Company establish an effective competency development career training program for employees?	✓		The Company cooperates with well-known schools and departments to maintain a close relationship between industry and academia based on operational strategies and employee career development, and actively participates in the government's employment promotion programs to cultivate talents and their career planning.	Relevant with the principle.
(v) Does the Company comply with relevant regulations and international standards in customer health and safety, customer privacy, marketing and labeling of products and services, and does it establish consumer or customer rights protection policies and complaint procedures?	✓		The Company's marketing and labeling of products and services follows relevant regulations and international standards. For the products we sell, relevant regulations and international standards certificates or declarations will be issued according to customer needs. Such as compliance with EU REACH regulations, RoSH environmental protection regulations, WEEE regulations, EuP directives, halogen-free requirements and other international regulations. The privacy of customers abides by the confidentiality agreement and the personal data protection law and has established a customer service unit and a corner for stakeholders to protect consumer rights and provide a channel for complaints.	Relevant with the principle.
(vi) Does the Company establish policies for the management of suppliers and required suppliers to comply with applicable rules and regulations governing environmental protection, occupational safety and health, or human rights of the labor, and the pursuit of these policies?	✓		The Company has established a “Supplier Control Program” for the management of suppliers. An evaluation team is formed by engineering, R&D, quality assurance and procurement or production management personnel to conduct written and on-site evaluation of suppliers. It focuses on the assurance of quality and product safety, regular and irregular audits of all suppliers with transactions, quality management and management of hazardous substances. And conduct an annual evaluation of the environmental protection, safety and health management system and performance of important suppliers. Use the company's influence to promote environmental protection and safety management to the company's main suppliers through supply chain management and Ensure that suppliers comply with environmental protection, safety and health-related regulations, ensure that their raw materials comply with regulations to ensure safe use, require suppliers to comply with laws and social norms, and ensure information security,	Relevant with the principle.

Evaluation Item	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles of TWSE Listed/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			human rights, labor safety and health, and evaluate the performance of corporate social responsibility, and only the suppliers who passed the evaluation can be listed as qualified suppliers. Most of the company's domestic and foreign suppliers are long-term cooperative manufacturers, and if there is a concern that the supplier may have a negative impact on the major environment, labor conditions, human rights, society, etc., the Company may terminate or rescind the contract.	
v. Does the Company consult the internationally adopted standard or guide in compiling its Sustainability Report for disclosure of non-financial information on the Company? Have the aforementioned reports been accredited or guaranteed by a third-party accreditation institution?		✓	The Company has not prepared a Sustainability Report yet.	Still under evaluation.
vi. If the Company has established the “Sustainable Development Best Practice Principles” in accordance with the “Sustainable Development Best Practice Principles for TWSE Listed and TPEX Listed Companies”, specify the variation between the practice and the principles: The Company has formulated the "Sustainable Development Code of Practice" and has followed the code accordingly. No deviation.				
vii. Other important information that helps to understand the implementation of sustainable development: 1 The Company and its overseas subsidiaries have strengthened the values that employees should dedicate what they get from society, so they frequently participate in public welfare activities around the world to fulfill corporate social responsibility and care for the land. 2. In previous years, the Company often provided many high schools and vocational colleges with enterprise visiting. By actually visiting the workplace and interacting with personnel in various departments, the students can gain a broad understanding of the current situation and future development trends of the industry and make early career planning and reserve core competencies in the workplace to further improve employee competitiveness. Due to the Covid-19 pandemic in 2022, the event was temporarily suspended.				

Note 1: The principle of materiality refers to those who have a significant impact on the company's investors and other stakeholders in relation to environmental, social and corporate governance issues.

(vi) Pursuit of corporate governance and measures to be taken

Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for the variation.

Items Evaluated	Implementation Status (Note)			Variations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
i. Establishment of the ethical corporate management (i) Does the Company make policies of ethical corporate management passed by the board, and explicitly stated the ethical corporate management policy and related action plans, and the commitment of the Board and the senior management in the proper pursuit of the ethical corporate management policy?	✓		The Company has formulated the "Code of Integrity Management", which can be found on the Company website/Investor corner/Corporate Governance corner (http://www.umec.com.tw/Investor/CorporateGovernance) The code stipulated that the board of directors, managers and employees of the Company should abide by laws and regulations and prevent dishonest behavior in the execution of business.	No deviation.
(ii) Does the Company develop the mechanisms for the assessment of the risk of unethical practices, and conducted analysis and assessed the kind of business activities vulnerable to the risk of unethical practices within the scope of operation at regular intervals, and mapped out the solution for preventing such practices covering at least the preventive measures as stated in Paragraph 2 under Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The “Corporate Governance Best Practice Principles” stipulated by the Company have detailed regulations prohibiting the directors, managers and all employees of the Company from engaging in any activities that fall within the scope of Article 7, paragraph 2 or other business scopes of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". There is a “Procedures for Ethical Management and Guidelines for Conduct”, which clearly stipulates the relevant provisions of the Company's personnel prohibiting the provision or acceptance of illegitimate benefits and setting up reporting and appealing channels and appealing units to prevent dishonest behaviors.	No deviation.
(iii) Does the Company map out the solution for preventing unethical practices, and specified the operation procedures, code of conduct, penalty on violation and the system for complaints in the solutions, and properly implemented the plans with routine review and revision of the aforementioned solutions	✓		The Company has formulated the "Corporate Governance Best Practice Principles", which clearly defines the operating procedures, behavior guidelines, punishment and complaint systems for violations, and carry out the implementation. In 2022, when the board of directors presented its executive report in each quarter, the Company's “Corporate Governance Best Practice Principles” will be re-examined that whether it needs to be revised.	No deviation.

Items Evaluated	Implementation Status (Note)			Variations from the“ Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
ii. Practice of ethical corporate management				
(i) Does the Company assess the record of integrity on the counterparties of trade, and explicitly stated the integrity clause in the contracts binding the counterparties and the Company?	✓		The Company has evaluated the integrity records of its business partners, and we have not found any instances of trading with individuals or entities with a poor integrity record.	No deviation.
(ii) Does the Company establish a designated body charged with the advocacy of business integrity under ethical corporate management on a full-time (part-time) basis under the direct supervision of the Board, and report to the Board of the ethical corporate management policy and the plans for prevention of unethical practices with monitoring the enforcement of the plans at regular intervals (at least once a year)?	✓		The Company's management department is responsible for planning and promoting the development of ethical management policies and prevention plans, and the audit unit supervises the implementation status, regularly reports to the board of directors on a quarterly basis on its integrity management policies and plans for preventing dishonest behavior and supervises business implementation.	No deviation.
(iii) Does the Company establish the policies for the prevention of the conflict of interest and appropriate channels for expression, and properly pursued these policies?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, and clearly defined the policy of interest conflict and provided appropriate channels for statements.	No deviation.
(iv) For the proper pursuit of ethical corporate management, has the Company established an effective accounting system and internal control system, with related audit plans designed by the internal audit function on the basis of the findings of the assessment on the risk of unethical practices basing on which audit on prevention of unethical practice will be conducted, or CPAs will be delegated for conducting the audit?	✓		The Company has established an accounting system and internal control system. In addition to the regular audit by the internal audit unit, it is also entrusted to the accountants to conduct regular audit.	No deviation.
(v) Does the Company hold internal and external ethical corporate behavior training regularly?	✓		The Company has been actively advocating the concept of ethical management to employees.	No deviation.
iii. Status for enforcing the whistle-blowing system				
(i) Does the Company establish a specific whistleblowing and reward system, set up convenient channels, and designate appropriate personnel to handle the investigations, depending on the identity of the personbeing reported?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” and has also clearly formulated the reporting and complaint channels. Complaints can be reported by the dedicated mailbox set up by the company, and a dedicated unit has been established to handle related affairs by the management department.	No deviation.

Items Evaluated	Implementation Status (Note)			Variations from the “ Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	<u>Yes</u>	<u>No</u>	Brief Explanation	
(ii) Does the Company establish a standard investigation procedures, follow-up measures, and relevant mechanisms to ensure confidentiality?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, and the investigation procedures for reported matters is managed by the management department.	No deviation.
(iii) Does the Company adopt protection against possible mistreatment arising from reporting violations?	✓		The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct”, and has taken measures to protect whistleblowers, so as not to be mistreated due to whistleblowing.	No deviation.
iv. Enhance information disclosure Does the Company disclose the content of its Best Practice Principles and its effectiveness on its website and the TWSE market observation post system?	✓		The Company currently discloses relevant information on the Company's website and the Market Observation Post System.	No deviation.
v. If the Company has established a “Corporate Governance Best Practice Principles” based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please specify the variations and implementation below: The Company has established a “Corporate Governance Best Practice Principles” based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” that complies with the provisions of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” issued by the TWSE. In terms of operation, the Company also requires the relevant departments of the Company to implement in line with the code, and there is no material difference from the stipulated code.				
vi. Other information that facilitates the understanding of Ethical Corporate Best Practice Principles: The Company discloses the implementation status of ethical management on its company website/Investor corner/Disclosure of the implementation status of corporate best practice principles (http://www.umec.com.tw)				

(vii) The Company formulates the corporate governance code and related regulations and their query methods:

1. If the Company has established corporate governance principles and related guidelines, the means of accessing this information should be disclosed:
 - (1) Rules of Procedure for the Shareholders' Meeting
 - (2) Rules of Procedure for Board of Directors Meetings
 - (3) Procedures for Election of Directors
 - (4) Procedures for the Acquisition or Disposal of Assets
 - (5) Operational Procedures for Lending Funds to Others
 - (6) Rules Governing Endorsement and Guarantee
 - (7) Remuneration Committee Charter
 - (8) Corporate Governance Best Practice Principles

- (9) Ethical Corporate Management Best Practice Principles
- (10) Procedures for Ethical Management and Guidelines for Conduct
- (11) Sustainable Development Best Practice Principles
- (12) Code of Conduct for Employees
- (13) Operational Procedures for Applications for Halt and Resumption of Trading
- (14) Audit Committee Charter
- (15) Procedures for Handling Material Inside Information
- (16) Rules Governing the Scope of Powers of Independent Directors
- (17) Standard Operational Protocol for Responding to Requests from Directors
- (18) Rules for Performance Evaluation of Board of Directors

2. Query method: Check the “Corporate Governance Corner” in the investor corner of the Company's website

(<http://www.umec.com.tw/Investor/CorporateGovernance>) or inquire and download at the “Corporate Governance Rules” of "Corporate Governance" on Market Observation Post System (<http://mops.twse.com.tw>)

(viii) Other important information that facilitates the understanding of the implementation status of corporate governance may be disclosed:

1. In 2022, the further studies of directors are as follows:

Title	Name	Date of election	Date of course	Organizer	Name of Course	Study hours	Total hours
Director	OU, CHENG-MING	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	18
			23 September 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
			20 August 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
			10 June 2022	Securities& Futures Institute	Preventing Insider Trading Awareness Seminar	3	
			22 April 2022	Taiwan Institute for Sustainable Energy	Taishin Sustainable Net Zero Summit - Achieving Sustainability 2030 through Serious Net Zero Commitment	3	

Title	Name	Date of election	Date of course	Organizer	Name of Course	Study hours	Total hours
Director	LIN, HSUEH-HWA (Note)	19 June 2019	20 August 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
Director	YANG, TE-HUA (Note)	19 June 2019	15 November 2022	Taiwan Corporate Governance Association	Implementing Energy Efficiency and Carbon Reduction to Enhance Company Profitability	3	6
			14 September 2022	Taiwan Corporate Governance Association	Accelerating Corporate Sustainability: CSR, ESG, and SDGs	3	
Representative of corporate director	OU, JEN-CHIEH	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
Representative of corporate director	OU, TZU-HUEI	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
Director	TSAI, KUO-CHI	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
Director	YANG, SHANG-JU	20 June 2022	14 September 2022	Taiwan Corporate Governance Association	Accelerating Corporate Sustainability: CSR, ESG, and SDGs	3	6
			5 August 2022	Taiwan Corporate Governance Association	Business Operations and Crisis Management	3	
Director	LIEN, TSUNG-FU	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	

Title	Name	Date of election	Date of course	Organizer	Name of Course	Study hours	Total hours
Director	HSU, KUAN-CHUN	20 June 2022	29 June 2022	Taiwan Stock Exchange Corporation	Release of Guidelines on the Duties of Independent Directors and Audit Committees and Independent Directors and Audit Committee Awareness Seminar	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
Independent Director	WU, TEH-CHUAN	20 June 2022	20 May 2022	Securities& Futures Institute	Prevention of Insider Trading Campaign for 2022	3	7
			22 April 2022	Taiwan Institute for Sustainable Energy	Taishin Sustainable Net Zero Summit - Achieving Sustainability 2030 through Serious Net Zero Commitment	3	
			10 March 2022	Taiwan Stock Exchange Corporation	The Role of Independent Directors and the 2022 Shareholders' Meeting from an International Perspective	1	
Independent Director	WU, HUEI-HUANG	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	9
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
			25 April 2022	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Compliance with Corporate Regulations	3	
Independent Director	TSOU, YEN-CHUNG	20 June 2022	27 September 2022	Taiwan Corporate Governance Association	Exploring Legal Issues in Instant Messaging	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	
Independent Director	KO, HSIN-SUI	20 June 2022	12 October 2022	Securities& Futures Institute	Net Zero Emissions, Carbon Neutrality, and Compliance with Corporate Regulations	3	6
			22 June 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Business Operations Workshop	3	

Note: Directors LIN, HSUEH-HWA, and YANG, TE-HUA have been dismissed after the board re-election on 20 June 2022.

2. The further studies of managers in 2022 are as follows:

Title	Name	Date of election	Date of Course	Organizer	Name of Course	Study hours
Senior manager of Accounting Department	HSUEH, CHING-YI	1 April 2015	26 December 2022-27 December 2022	Accounting Research and Development Foundation	Continuing Education Program for Issuers, Securities Firms, Stock Exchanges, and Accounting Professionals	12
Manager of Audit Office	CHEN, MING-HUEI	3 October 2013	14 September 2022-14 September 2022	The Institute of Internal Auditors	Practical Exercises on Internal Audit, Internal Controls, and Personal Data Protection Law	6
			7 November 2022-7 November 2022	The Institute of Internal Auditors	Focus and Integration of Operational System Auditing across Cycles and Processes	6

(ix) Internal control system execution status

1. Statement of Internal Control System

UNIVERSAL MICROELECTRONICS CO., LTD.

Statement of Internal Control System

16 March 2023

Based on the findings of a self-assessment, UNIVERSAL MICROELECTRONICS CO., LTD. states the following with regard to its internal control system during the year 2022:

1. UNIVERSAL MICROELECTRONICS CO.'s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and UNIVERSAL MICROELECTRONICS CO., LTD. takes immediate remedial actions in response to any identified deficiencies.
3. UNIVERSAL MICROELECTRONICS CO., LTD. evaluates 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 (herein below, the Regulations. The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations
4. UNIVERSAL MICROELECTRONICS CO., LTD. has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, UNIVERSAL MICROELECTRONICS CO., LTD. believes that, on 31 December 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations
6. This Statement is an integral part of UNIVERSAL MICROELECTRONICS CO., LTD.'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 Law.
7. This Statement was passed by the Board of Directors in their meeting held on 16 March 2023, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

UNIVERSAL MICROELECTRONICS CO., LTD.

Chairman: OU, CHENG-MING

General Manager: OU, CHENG-MING

2. The CPA audit review must be disclosed as the internal control system is audited by a CPA: None.

(x) Punishment of the Company and employees by the law, punishment of employees by the Company for violation of internal control system regulations, and major defects and improvement in the last year and by the report publishing date: None.

(xi) Major resolutions made and execution status at the shareholders' meeting and board meeting in the last year and by the report publishing date

1. Major resolutions made at the shareholders' meeting and the implementation status after the meeting of 2022:

Date	Major resolutions made and execution status
18 March 2022 (1 st special shareholders meeting in 2022)	<p>1. The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares. Implementation status: After the resolution was passed at the extraordinary shareholders' meeting, the implementation will be carried out according to the schedule.</p> <p>2. The resolution has been passed for the amendment of certain articles of the Company's "Articles of Incorporation". Implementation status: After the resolution was passed at the extraordinary shareholders' meeting, it will be implemented immediately and approved by the Ministry of Economic Affairs on 20 April 2022.</p>
20 June 2022 regular shareholders' meeting	<p>1. The resolution has been passed for the Company's 2021 annual business report and financial statement. Implementation status: After the resolution was passed at the shareholders' meeting, it will be implemented immediately.</p> <p>2. The resolution has been passed for the Company's 2021 profit and loss appropriation. Implementation status: The resolution was passed at the regular shareholders' meeting to not distribute dividends for the current year. As a result, there is no implementation report.</p> <p>3. The resolution has been passed for the amendment of certain articles of the Company's "Articles of Incorporation". Implementation status: After the resolution was passed at the regular shareholders' meeting, it will be implemented immediately and approved by the Ministry of Economic Affairs on 2 August 2022.</p> <p>4. The resolution has been passed for the amendment of certain articles of the Company's "Procedures For the Acquisition or Disposal of Assets". Implementation status: After the resolution was passed at the regular shareholders' meeting, it will be implemented immediately.</p> <p>5. The resolution has been passed for the Company's re-election of the board of directors.</p> <p>6. The resolution has been passed to lift the non-compete restrictions for newly-elected directors of the Company. Implementation status: After the resolution was passed at the regular shareholders' meeting, it will be implemented immediately.</p>

2. Details of major resolutions of the board of directors from 1 January 2022 to 5 May 2023 (printing date):

Date/Period	Major resolutions
19 January 2022 (The 12th board of directors The 16th meeting)	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's internal audit business report from October 2021 to December 2021.</p>

Date/Period	Major resolutions
	<p>Discussion items:</p> <ol style="list-style-type: none"> 1. The resolution has been passed for the Company's year-end bonus and allocation for senior managers in 2021. 2. The resolution has been passed for the annual remuneration for senior managers in 2021. 3. The resolution has been passed for the Company's remuneration distribution for directors in 2021. 4. The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares. 5. The resolution has been passed for the amendment of certain articles of the Company's "Articles of Incorporation". 6. The resolution has passed to schedule the first extraordinary shareholders' meeting of 2022. The meeting will be held on 18 March 2022(Friday), at 9:00 a.m. in the Company's 5th-floor conference room.
<p>22 March 2022 (The 12th board of directors The 17th meeting)</p>	<p>Report items:</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. The resolution has been passed for the Company's 2021 profit and loss appropriation. 3. The resolution has been passed to suspend the subsidiary's provision of endorsement and guarantee credit facilities to the parent company. 4. The resolution has been passed to add the subsidiary's provision of endorsement and guarantee credit facilities to the parent company. 5. The resolution has been passed for the Company's "Statement of Internal Control System" for 2021. 6. The resolution has been passed for the Company's regular assessment of the independence status of CPAs. 7. The resolution has been passed for the review of the Company's CPA fees of financial statement and tax report. 8. The resolution has been passed for the adjustment to the Company's organizational structure. 9. The resolution has been passed for the Company's re-election of directors. 10. Resolution to approve the list of candidates for directors (independent directors) nominated by the board of directors. 11. The resolution has been passed to lift the non-compete restrictions for newly-elected directors of the Company. 12. The resolution has been passed for the amendment of certain articles of the Company's "Articles of Incorporation". 13. The resolution has been passed for the amendment of certain articles of the Company's "Corporate Governance Best Practice Principles". 14. The resolution has been passed for the amendment of certain articles of the Company's "Procedures for the Acquisition or Disposal of Assets". 15. The resolution has passed to schedule the regular shareholders' meeting of 2022. The meeting will be held on 20 June 2022(Monday), at 9:00 a.m. in the Company's 5th-floor conference room. 16. The resolution has passed for the loan limit between the Company and financial institutions.
<p>9 May 2022 (The 12th board of directors The 18th meeting)</p>	<p>Report items:</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports. 3. The Company's internal audit business report. 4. The Company's corporate social responsibility business report for the first quarter of 2022. 5. The Company's report on the overview of liability insurance report of directors. 6. The Company's report on the schedule and plan for greenhouse gas inventory and verification. 7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement". <p>Discussion items:</p> <ol style="list-style-type: none"> 1 The resolution has passed for the Company's consolidated financial statement report for the first quarter of 2022.

Date/Period	Major resolutions
	<p>2. The resolution has been passed for the amendment of certain articles of the Company's "Corporate Social Responsibility Best Practice Principles".</p> <p>3. The resolution has passed for the loan limit between the Company and financial institutions.</p>
<p>31 May 2022 (The 12th board of directors The 19th meeting)</p>	<p>Report items:</p> <p>1. Minutes and implementation of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>Discussion items:</p> <p>1. The resolution has been passed to determine the private placement date and pricing of common shares of the Company.</p>
<p>20 June 2022 (The 13th board of directors The 1st meeting)</p>	<p>Report items:</p> <p>1. Report on the insufficient collection of funds for the first private placement of common shares in 2022.</p> <p>Report items:</p> <p>1. The resolutions have been passed for the appointment of the Company's chairman.</p>
<p>8 August 2022 (The 13th board of directors The 2nd meeting)</p>	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's internal audit business report.</p> <p>4. Business report on The Company's "Corporate Sustainability Development and Ethical Corporate Management Best Practice Principles" as of the second quarter of 2022.</p> <p>5. Progress report on the greenhouse gas inventory and verification schedule for the second quarter of 2022.</p> <p>6. Report on the results of the corporate governance evaluation and related improvement plan for 2021(the 8th term).</p> <p>7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has been passed for the Company's internal rotation and adjustment of CPAs.</p> <p>2. The resolution has been passed for the Company's consolidated financial statements for the second quarter of 2022.</p> <p>3. The Company's internal audit business report.</p> <p>4. The resolution has been passed for the appointment of the member for the 5th Remuneration Committee.</p> <p>5. The resolution has passed for the loan limit between the Company and financial institutions.</p>
<p>8 November 2022 (The 13th board of directors The 3rd meeting)</p>	<p>Reporting items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's internal audit business report.</p> <p>4. The resolution has been passed for the amendment of certain articles of the Company's "Corporate Social Responsibility Best Practice Principles" for the third quarter of 2022.</p> <p>5. Progress report on the greenhouse gas inventory and verification schedule for the third quarter of 2022.</p> <p>6. Report on the Company's information security and risk Management for 2022.</p> <p>7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has been passed for the Company's consolidated financial statements for the third quarter of 2022</p> <p>2. The resolution has been passed to amend the Company's audit plan for 2023.</p> <p>3. The resolution has been passed for the Company's regular assessment of the independence status of CPAs.</p> <p>4. The resolution has been passed to approve the Company's operational plan overview for 2023.</p> <p>5. The resolution has been passed for the amendment of certain articles of the Company's "Procedures for Handling Material Inside Information".</p>

Date/Period	Major resolutions
	6. The resolution has been passed for the Company's promotion of senior managers in 2022. 7. The resolution has been passed for the amendment of certain articles of the Company's "Remuneration Committee Charter". 8. The resolution has passed for the loan limit between the Company and financial institutions.
23 December 2022 (The 13th board of directors The 4th meeting)	Report items: 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports. Discussion items: 1. The resolution has been passed to adjust the subsidiary's provision of endorsement guarantees and credit facilities to the parent company. 2. The resolution has been passed to convert debt into equity for UMEC VIETNAM Co., Ltd., which is a subsidiary of the Company. 3. The resolution has passed for the loan limit between the Company and financial institutions.
17 January 2023 (The 13th board of directors The 5th meeting)	Report items: 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports. Discussion items: 1. Year-end bonus and allocation of senior managers in 2022. 2. The proposal of annual remuneration for senior managers in 2022. 3. The resolution has been passed to approve the cash capital increase plan for investment in GaN Power Technology Co., Ltd. 4. The resolution has passed for the loan limit between the Company and financial institutions.
16 March 2023 (The 13th board of directors The 6th meeting)	Report items: 1. Minutes and implementation status of the previous meeting. 2. The Company's major financial business reports. 3. The Company's external endorsement and guarantee status. 4. The Company's internal audit business report. 5. The Company's corporate social responsibility business report for the fourth quarter of 2022. 6. Progress report on the greenhouse gas inventory and verification schedule for the fourth quarter of 2022. 7. Result of the board of directors' performance evaluation for 2022. 8. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement". Discussion items: 1. The resolution has been passed for the Company's 2022 annual business report and financial statement. 2. The resolution has been passed for the Company's 2022 profit and loss appropriation. 3. The resolution has been passed for the amendment of the certain articles of the Company's "Regulations Governing Director and Functional Committee Remuneration Payment". 4. The resolution has been passed for the allocation of director remuneration for 2022. 5. The resolution has been passed for the allocation of employee remuneration for 2022. 6. The resolution has been passed to provide funding loans between the Company and the investee companies. 7. The resolution has been passed for the Company's "Statement of Internal Control System for 2022". 8. The resolution has been passed to amend certain articles of the "Implementation Rules for Internal Audits" of the Company. 9. The resolution has been passed for the Company's "Statement of Internal Control System for 2022". 10. The resolution has been passed for the amendment of certain articles of the Company's "Corporate Governance Best Practice Principles". 11. The resolution has been passed to review the Audit Quality Indicators (AQI) of

Date/Period	Major resolutions
	<p>the CPAs and establish a pre approval process for non-assurance services by EY Taiwan and its affiliated companies.</p> <p>12. The resolution has been passed for the review of the Company's CPA fees of financial statement and tax report.</p> <p>13. The resolution has been passed to discontinue the proposed private placement of cash for the issuance of common shares, which was intended to be approved at the Company's extraordinary general meeting of shareholders for the first time in 2022.</p> <p>14. The resolutions have been passed for the appointment of the Company's corporate governance supervisors.</p> <p>15. The resolution has been passed for the amendment of the certain articles of the Company's "Procedures for the Acquisition or Disposal of Assets".</p> <p>16. The resolution has passed to schedule the regular shareholders' meeting of 2023. The meeting will be held on 26 June 2023(Monday), at 9:00 a.m. in the Company's 5th floor conference room.</p> <p>17. The resolution has been passed to approve the cash capital increase plan for investment in GaN Power Technology Co., Ltd.</p> <p>18. The resolution has passed for the loan limit between the Company and financial institutions.</p>
<p>4 May 2023 (The 13th board of directors The 7th meeting)</p>	<p>Report items:</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. The Company's major financial business reports.</p> <p>3. The Company's internal audit business report.</p> <p>4. The Company's corporate social responsibility Business report for the first quarter of 2023.</p> <p>5. The Company's report on the overview of liability insurance report of directors for 2023.</p> <p>6. Progress report on the greenhouse gas inventory and verification schedule for the first quarter of 2023.</p> <p>7. The report on the Company's "Whether disguised financial transactions need to be disclosed as loaning funds to others announcement".</p> <p>Discussion items:</p> <p>1. The resolution has passed for the Company's consolidated financial statement report for the first quarter of 2023.</p> <p>2. The resolution has passed for the Company's employee remuneration and the allocation of senior managers for 2022.</p> <p>3. The resolution has been passed for the Company to proceed with the private placement of cash for the issuance of common shares.</p> <p>4. The resolution has been passed for the Amendment of 2023 regular shareholders' meeting.</p> <p>5. The resolution has passed for the loan limit between the Company and financial institutions.</p>

(xii) Summary of opinion differences in major resolutions at the board meeting between directors or supervisors in the last year and by the report publishing date with written records or statements: None.

(xiii) Summary table of resignations and dismissals of relevant personnel in the Company during the most recent year or during the current year up to the date of publication of the annual report

5 May 2023

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
N/A				

Note: The term "relevant personnel" referred to in the table includes the chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor.

v. Information Regarding the Company's Audit Fee

(i) Audit fee

Unit: NT\$ (in thousands)

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit fees	Non-audit fees	Total	Remarks
Ernst & Young Taiwan	CHEN, MING HUNG	1 January 2022- 31 March 2022	3,735	1,380	5,115	Non-audit fees mainly include tax verification, transfer pricing, and master file
	TU, CHING-YUAN					
	LO, WEN-CHEN	1 April 2022- 31 December 2022				
	HUANG, TZU PING					

(ii) If the accounting firm is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change, the amount, proportion and reason for the decrease in audit fee shall be disclosed: None.

(iii) If the audit fee is reduced by more than 10% compared with the previous year, the amount, proportion and reason for the reduction of the audit fee shall be disclosed: None.

vi. Replacement of CPA:

(i) Regarding the former CPA:

Replacement Date	Approved by the board of directors on 8 August 2022		
Replacement reasons and explanations	In order to enhance the independence of the CPAs in compliance with the regulations of the securities regulatory authority, and to implement a mechanism for self-rotation of CPAs, it is proposed to adjust the verification services for the Company's financial statements. From the second quarter of 2022, the signing services will be assumed by CPA LO, WEN-CHEN and CPA HUANG, TZU-PING, replacing CPA CHEN, MING HUNG and CPA TU, CHING-YUAN.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		CPA
	Status	The Company	
	Termination of appointment	Not applicable	
No longer accepted (continued) appointment			
Other issues (except for unqualified issues) in the audit reports within the last two year	None		
Differences with the issuer	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks: None		
Other revealed matters (The items to be disclosed according to the fourth to seventh provisions of the first paragraph of Article 10 of these guidelines)	None		

(ii) Regarding the Successor CPA:

Names of the accounting firm	Ernst & Young Taiwan
Names of the CPA	LO, WEN-CHEN 、HUANG, TZU PING
Date of appointment	Approved by the board of directors on 8 August 2022
Disclosure of those consultations and the consultation results regarding the prospective accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the firm's financial report prior to the formal appointment of the successor CPA.	Not Applicable
Written views from the successor CPA regarding the matters on which the firm disagreed with the former CPA	Not Applicable

vii. The Company's chairman, general manager, and managers in charge of its finance and accounting business who hold any positions in the Company's accounting firm or its affiliates during the most recent year. The term "affiliates of the firm to which the CPA belongs" means the CPA of the accounting firm that holds more than 50% of the shares or has obtained more than half of the directors' seats, or companies or institutions listed as affiliates in the information released or published by the accounting firm: None.

viii. Share transfer and share mortgage of directors, supervisors, managers, and shareholders holding over 10% of shares in the last year and by the report publishing date. If the counterparty of the equity transfer or equity pledge is a related person, the name of the counterparty, the number of shares acquired or pledged, and the relationship with the company, directors, supervisors, and shareholders who hold more than 10% of the shares, shall be disclosed.

(i) Share transfer of directors, supervisors, managers, and major shareholders:

Unit: Share

Title	Name	2022		2023 as of 30 April	
		Increase (decrease) of shareholdings	Increase (decrease) of shares pledged	Increase (decrease) of shareholdings	Increase (decrease) of shares pledged
Chairman and the general manager	OU, CHENG-MING	—	—	—	—
Director	HSU, KUAN-CHUN	—	—	—	—
Director	LIEN, TSUNG-FU	—	—	—	—
Director	TSAI, KUO-CHI	—	—	—	—
Director	YANG, SHANG-JU	—	—	—	—
Corporate director	Zhao Zan Investment Co., Ltd.	500,000	—	—	—
	Representative: OU, JEN-CHIEH	—	—	—	—
Corporate director	Yuan Rong Investment Co., Ltd.				

Title	Name	2022		2023 as of 30 April	
		Increase (decrease) of shareholdings	Increase (decrease) of shares pledged	Increase (decrease) of shareholdings	Increase (decrease) of shares pledged
	Representative: OU, TZU-HUEI	—	—	—	—
Independent director	WU, TEH-CHUAN	—	—	—	—
Independent director	WU, HUEI-HUANG	—	—	—	—
Independent director	TSOU, YEN-CHUNG	—	—	—	—
Independent director	KO, HSIN-SUI				
Manager	CHANG, WEN-MING	—	—	—	—
Manager	OU, CHING-CHUAN	—	—	—	—
Manager	MA, JONG-JYR	—	—	—	—
Manager	YEN, HWEI-FANG	—	—	—	—
Manager	CHAN, CHIA-NAN	—	—	—	—
Manager	TSAI, CHIN-TE	—	—	—	—
Manager	LIU, JAW-JUEH	—	—	—	—
Manager	WANG, NAN-KUEI	—	—	—	—
Manager	LIAO, CHIEN-HSUN	—	—	—	—
Manager	TSENG, CHI-HUNG				
Manager	WU, CHUN-HSIEN	—	—	—	—
Manager	LIN, WAN-CHIH	—	—	—	—
Manager	WANG, CHIN-YI	—	—	(1,000)	—
Manager	HSIEH, CHEN-MING	—	—	—	—
Manager	SHEN, CHING-WEN	—	—	—	—
Manager	HSUEH, CHING-YI	—	—	—	—

Note: Director LIN, HSUEH-HWA and director YANG, TE-HUA were dismissed after the re-election of directors on 20 June 2022.

(ii) Information on shares transfer of affiliates: None.

Name	Reasons for transfer	Transaction date	Transaction counterparty	Relationship between the transaction counterparty and the Company, directors, supervisors, managers, and shareholders holding over 10% of shares	Shares	Transaction price (NT\$/share)
N/A						

(iii) Information on the shares pledge of affiliates: None.

Name	Reasons for pledge	Transaction date	Transaction counterparty	Relationship between the transaction counterparty and the Company, directors, supervisors, managers, and shareholders holding over 10% of shares	Shares	Shareholding ratio	Pledge rate	Pledge (redemption) amount
N/A								

ix. Information on the relationship among the top ten shareholders with shareholding ratio

28 April 2023 Unit: share; %

Name	Current shareholding		Spouse's/minor's shareholding		Shareholding by nominee arrangement		Name and relationship between the Company's top ten shareholders, or spouses or relatives within two degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
OU, CHENG-MING	34,870,964	27.38	5,002,778	3.93	—	—	LIN, HSUEH-HWA	Spouse	None
							OUMEIYA INVESTMENT CO.,LTD.	Chairman of the Company	
							OU, JEN-CHIEH	Son	
Representative of OUMEIYA INVESTMENT CO.,LTD.: OU, CHENG-MING	12,693,541	9.97	—	—	—	—	OU, CHENG-MING	Chairman of the Company	None
							LIN, HSUEH-HWA	Supervisor of the Company	
							OU, JEN-CHIEH	Director of the Company	
	34,870,964	27.38	5,002,778	3.93	—	—	LIN, HSUEH-HWA	Spouse	None
							OUMEIYA INVESTMENT CO.,LTD.	Chairman of the Company	
							OU, JEN-CHIEH	Son	
LIN, HSUEH-HWA	5,002,778	3.93	34,870,964	27.38	—	—	OU, CHENG-MING	Spouse	None
							OUMEIYA INVESTMENT CO.,LTD.	Supervisor of the Company	
							OU, JEN-CHIEH	Son	
HSU, YEH-HSUAN	3,637,000	2.86	—	—	—	—	None		None
WANG, KE-LI	2,547,083	2.00	—	—	—	—	None		None
YANG, TE-HUA	1,951,639	1.53	—	—	—	—	None		None
The Citi Bank acts as custodian for UBS Europe SE investment funds	1,882,067	1.48	—	—	—	—	None		None
HSU, KUAN-CHUN	1,748,177	1.37	137,828	0.11	—	—	None		None
Standard Chartered Bank serves as custodian for Standard Chartered-External Account Manager J.P. Morgan	1,688,000	1.32	—	—	—	—	None		None
OU, JEN-CHIEH	1,365,582	1.07	—	—	687,000	0.54	OU, CHENG-MING	Father	None
							LIN, HSUEH-HWA	Mother	
							OUMEIYA INVESTMENT CO.,LTD.	Director of the Company	

- x. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, manager, and any companies controlled either directly or indirectly by the company.

31 December 2022; Unit: 1,000 shares; %

Affiliates (Note)	Ownership by the Company		Direct or indirect ownership by directors/supervisors/managers		Total ownership	
	Shares	%	Shares	%	Shares	%
UMEC Investment (B.V.I.) Co., Ltd.	30,398	100.00	—	—	30,398	100.00
Tien Lung Investment Co., Ltd.	8,800	100.00	—	—	8,800	100.00
Advanced Radar Technology Co., Ltd. (ARadTek)	4,256	84.78	542	10.80	4,798	95.58
AMIT system service Ltd.	1,178	14.75	—	—	1,178	14.75
UEC System Solutions Corporation	1,500	13.89	—	—	1,500	13.89
PORIS Electronics Co., Ltd.	—	—	1,202	33.55	1,202	33.55

Note: Investments adopted the equity method.

IV. Fundraising

i. Capital and Shares

(i) Capitalization

1. Capitalization

Month/ Year	Issue Price	Authorized Shares/Capital		Capital Stock		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Non-cash Capital Increase	Other
February 1984	10	6,000,000	60,000,000	1,500,000	15,000,000	Establishment with cash	None	(73)Qi-San-Jian-San-Zi -No. 54326 dated February 18, 1984
April 1984	10	6,000,000	60,000,000	1,700,000	17,000,000	Cash capital increase at 2,000,000	None	(73)Qi-San-Jian-San-Zi -No. 95283 dated April 23, 1984
July 1989	10	6,000,000	60,000,000	3,600,000	36,000,000	Cash capital increase at 4,550,000 Amortization of premiums at 14,450,000	None	(78)Qi-Ba-Jian-Yi-Zi-No. 179806 dated July 24, 1989
November 1990	10	7,600,000	76,000,000	7,600,000	76,000,000	Cash capital increase at 31,000,000 Amortization of premiums at 9,000,000	None	Jing(80)Shang-No. 105310 dated March 21, 1991
August 1991	10	10,640,000	106,400,000	10,640,000	106,400,000	Amortization of premiums at 30,400,000	None	Jing(80)Shang-No. 125156 dated November 7, 1991
December 1993	10	13,200,000	132,000,000	13,200,000	132,000,000	Cash capital increase at 25,600,000	None	Jing(83)Shang-No. 101879 dated February 15, 1994
April 1996	10	15,840,000	158,400,000	15,840,000	158,400,000	Amortization of premiums at 26,400,000	None	Jing (85)Shang-No. 106207 dated May 9, 1996
December 1996	10	19,980,000	199,800,000	19,980,000	199,800,000	Cash capital increase at 41,400,000	None	Jing (86)Shang-No. 122514 dated January 8, 1997
July 1997	10	51,680,000	516,800,000	28,000,000	280,000,000	Amortization of premiums at 39,960,000 Cash capital increase at 40,240,000	None	(86)Tai-Tsai-Cheng-(Yi) No. 25754 dated March 27, 1997
May 1998	10	51,680,000	516,800,000	36,400,000	364,000,000	Amortization of premiums at 84,000,000	None	(88)Tai-Tsai-Cheng-(Yi) No. 43597 dated May 18, 1998
August 1999	10	87,186,000	871,860,000	60,570,000	605,700,000	Amortization of premiums at 138,320,000 Cash capital increase at 100,000,000 New share issue through capitalization of employee bonus at 3,380,000	None	(88)Tai-Tsai-Cheng-(Yi) No. 47241 dated June 1, 1998
April 2000	10	87,186,000	871,860,000	66,570,000	665,700,000	Cash capital increase at 60,000,000	None	(89)Tai-Tsai-Cheng-(Yi) No. 18369 dated February 23, 2000

Month/ Year	Issue Price	Authorized Shares/Capital		Capital Stock		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Non-cash Capital Increase	Other
July 2000	10	163,200,000	1,632,000,000	93,698,000	936,980,000	Amortization of premiums at 232,995,000 Capital surplus transferred to capital at 33,285,000 New share issue through capitalization of employee bonus at 5,000,000	None	(89)Tai-Tsai-Cheng-(Yi) No. 45250 dated May 25, 2000
September 2001	10	202,746,000	2,027,460,000	120,586,500	1,205,865,000	Amortization of premiums at 215,505,400 Capital surplus transferred to capital at 46,849,000 New share issue through capitalization of employee bonus at 6,530,600	None	(90)Tai-Tsai-Cheng-(Yi) No.144448 dated July 11, 2001
March 2002	10	202,746,000	2,027,460,000	120,386,500	1,203,865,000	Capital reduction by mature stock repurchases at 2,000,000	None	(90)Tai-Tsai-Cheng-(San) No. 173212 dated 10 December 2001
September 2002	10	202,746,000	2,027,460,000	139,000,000	1,390,000,000	Amortization of premiums at 144,463,800 Capital surplus transferred to capital at 36,115,950 New share issue through capitalization of employee bonus at 5,555,250	None	(91)Tai-Tsai-Cheng-(Yi) No. 0910135306 dated June 28 2002
August 2003	10	204,746,000	2,047,460,000	143,270,000	1,432,700,000	Amortization of premiums at 40,200,000 New share issue through capitalization of employee bonus at 2,500,000	None	(92)Tai-Tsai-Cheng-(Yi) No. 0920129804 dated July 4, 2003
October200 4	10	204,746,000	2,047,460,000	138,270,000	1,382,700,000	Capital reduction by mature stock repurchases at 50,000,000	None	(93)Tai-Tsai-Cheng-(San) No. 0930138355 dated August 26, 2004
October200 6	10	204,746,000	2,047,460,000	133,270,000	1,332,700,000	Capital reduction by mature stock repurchases at 50,000,000	None	(91)Tai-Tsai-Cheng-(San) No. 0910168228 dated December 26, 2002
April 2008	10	204,746,000	2,047,460,000	132,980,000	1,329,800,000	Capital reduction by mature stock repurchases at 2,900,000	None	(94)Jin-Guan-Zheng-San-Zi No. 0940110141 dated March 22, 2005

Month/ Year	Issue Price	Authorized Shares/Capital		Capital Stock		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Non-cash Capital Increase	Other
August 2008	10	204,746,000	2,047,460,000	136,454,200	1,364,542,000	Amortization of premiums at 32,242,000 New share issue through capitalization of employee bonus at 2,500,000	None	(94)Jin-Guan-Zheng-Yi-Zi No. 0970034068 dated July 8, 2008
January 2009	10	204,746,000	2,047,460,000	132,252,200	1,322,522,000	Capital reduction by mature stock repurchases at 42,020,000	None	(97)Jin-Guan-Zheng-San-Zi No. 0970045385 dated August 29, 2008 (94) Jin-Guan-Zheng-San-Zi No. 0940160023 dated December 29, 2005
February 2011	10	204,746,000	2,047,460,000	129,252,200	1,292,522,000	Capital reduction by mature stock repurchases at 30,000,000	None	(97)Jin-Guan-Zheng-San-Zi No. 0970006012 dated February 15, 2008
January 2012	10	204,746,000	2,047,460,000	127,359,200	1,273,592,000	Capital reduction by mature stock repurchases at 18,930,000	None	(100) Jin-Guan-Zheng-Jiao-Zi no. 1000046913 dated September 26, 2011

2. Type of shares

Share Type	Authorized Shares/Capital			Remarks
	Externally circulated shares	Unissued Shares	Total	
Common stock	127,359,200	77,386,800	204,746,000	Stock of TWSE listed company

3. General information about the reporting system: Not applicable.

4. Private common stock information for the last three years: The private placement proposal was approved by the shareholders' meeting on 18 March 2022. However, on 16 March 2023, the board of directors decided not to proceed with the implementation, resulting in no actual funds being raised.

(ii) Shareholder structure

28 April 2023

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Corporations	Individuals	Foreign Institutions an Individuals	Total
Amount	-	-	194	19,247	30	19,471
Shares held (share)	-	-	16,141,584	102,373,224	8,844,392	127,359,200
Percentage (%)	-	-	12.67	80.38	6.95	100.00%

(iii) Share distribution

28 April 2023

Shares Held Grading	Number of Shareholders	Shares held	Percentage %
1 -999	11,532	393,645	0.31
1,000 - 5,000	6,293	12,654,727	9.94
5,001- 10,000	845	6,736,498	5.29
10,001- 15,000	263	3,322,850	2.61
15,001- 20,000	166	3,109,621	2.44
20,001 - 30,000	126	3,312,281	2.60
30,001 - 40,000	51	1,816,692	1.43
40,001- 50,000	39	1,799,303	1.41
50,001 - 100,000	82	5,663,862	4.45
100,001 - 200,000	30	4,146,030	3.26
200,001 - 400,000	16	4,556,830	3.58
400,001 - 600,000	6	2,869,855	2.25
600,001- 800,000	9	6,402,887	5.03
800,001 - 1,000,000	2	1,832,932	1.44
Above 1,000,001	11	68,741,187	53.96
Total	19,471	127,359,200	100.00

Preferred stock

28 April 2023

Shares Held Grading	Number of Shareholders	Shares	%
Grading according to the actual situation	Not applicable		
Total			

Note: The Company does not issue preferred stock.

(iv) List of major shareholders

28 April 2023

Shares	Shares	%
Major shareholders		
OU, CHENG-MING	34,870,964	27.38
OUMEIYA INVESTMENT CO.,LTD.	12,693,541	9.97
LIN, HSUEH-HWA	5,002,778	3.93
HSU, YEH-HSUAN	3,637,000	2.86
WANG, KE-LI	2,547,083	2.00
YANG, TE-HUA	1,951,639	1.53
The Citi Bank acts as custodian for UBS Europe SE investment funds.	1,882,067	1.48
HSU, KUAN-CHUN	1,748,177	1.37
Standard Chartered Bank serves as custodian for Standard Chartered- External Account Manager J.P. Morgan	1,688,000	1.32
OU, JEN-CHIEH	1,365,582	1.07

(v) Market price per share, net value per share, equity per share, dividends per share and relevant information

Item		Year	2021	2022	As of 5 May 2023
Market price per share	Highest		35.00	31.00	44.75
	Lowest		16.05	17.30	24.70
	Average		22.11	22.10	32.87
Net value per share	Before distribution		14.64	16.05	16.42
	After distribution		N/A	N/A	N/A
EPS	Weighted average (thousand shares)		126,821	126,821	126,821
	EPS		0.35	2.07	0.31
Dividends per share	Cash dividends		—	—	—
	Stock grants	from retained earnings	—	—	—
		from capital surplus	—	—	—
	Accumulative undistributed dividends		—	—	—
ROI	Price / Earnings Ratio		63.17	10.68	106.03
	Price / Dividends Ratio		N/A	N/A	N/A
	Cash Dividends Yield		N/A	N/A	N/A

(vi) Dividends policy and implementation

1. Dividend policy stipulated in the Articles of Incorporation

If the general final accounting of the year shows profits, it shall be distributed in the following order:

- (1) Payment of taxes.
- (2) Make up for the losses of previous years.
- (3) 10% of the deposit should be set aside as legal reserves. However, when the legal reserve amounts to the total paid-in capital, this shall not apply. The remaining shall be withdrawn or transferred to the special reserve according to laws and regulations; If there is a remaining balance, together with the accumulated undistributed earnings, the board of directors would formulate a surplus of profits distribution proposal and resolve in the shareholders' meeting to distribute dividends to shareholders.
- (4) The Company's dividend policy is determined in accordance with the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition conditions as well as taking the interests of shareholders and other factors into account. When distributing dividends to shareholders, they may be distributed through the issuance of new shares of the Company or cash, in which cash dividends shall not be less than 10% of the total dividends.

2. Implementation status:

Regarding the profit and loss distribution for 2022, it has been resolved by the board of directors on 16 March 2023, to prioritize the distribution of profits for 2022. A proposed cash dividend of NTD0.5 per share will be distributed, totaling NTD63,410,600. After being approved by the approval of shareholders' meeting, and the board of directors will be authorized to determine the ex-dividend date for the distribution after the resolution. As of the end of 2022, the accumulated distributable earnings amount to NTD346,382,903, and the undistributed earnings at the end of the period amount to NTD282,972,303.

3. When major changes in dividend policy are expected, an explanation should be made: None.

(vii) Effect of stock grants planned at current shareholders' meeting on business performance and EPS: Not applicable.

(viii) Employee, director, and supervisor remuneration:

1. Percentage or range of employee, director and supervisor remuneration specified in the Articles of Incorporation:

(1) If the Company makes a profit in the year, it should allocate no less than 4% as employee remuneration.

(2) If the Company makes a profit in the year, it should allocate no less than 3% as director remuneration.

Where the Company has accumulated losses, it should set aside an amount for future offsetting.

Employee remuneration may be distributed in the form of stocks or cash, and the recipients of such distributions may include eligible employees of subsidiary companies, subject to certain conditions.

2. The estimation basis for the current period's employee, director, and supervisor remuneration, calculation basis for the allocation of stock dividends, and accounting treatment for any differences between the actual distribution amount and the estimated amount:

The estimation basis is determined based on the profitability of the current year for distribution purposes. The aforementioned amounts are recorded under the salary expense category. If there are differences between the estimated amounts and the actual distribution amounts as determined by the board of directors, they will be recognized in the income statement of the following year.

3. The board of directors approved the distribution of remuneration and related matters :

(1) The amount of employee remuneration, as well as director and supervisor remuneration, distributed in cash or stocks:

The Company, as resolved by the board of directors on 16 March 2023, distributed director remuneration for 2022 in the amount of NTD 6,878,723, and employee remuneration in the amount of NTD 13,757,446.

(2) The ratio of the amount of employee remuneration distributed in stock to the total amount of after-tax net profit and total employee remuneration in the current period's parent company only financial statement: Not applicable.

4. Distribution of employee remunerations for employees, directors and supervisors in the previous year:

There was no distribution of employee remuneration to directors and supervisors in 2021, therefore, this shall not apply.

(ix) Repurchase of corporate shares: None.

ii. Issue of corporate bonds: None.

iii. Issue of preferred stocks: None.

iv. Issue of overseas depositary receipts: None.

v. Issue of employee stock option: None.

- vi. Issue of employee restricted shares: None.
- vii. Mergers and acquisitions or issuance of new shares by the transferee of other company's shares: None.
- viii. Items to be disclosed in capital utilization plans and their implementation status: There has been no issuance or private placement of securities in the past three years and the quarter preceding the publication date of the annual report.
 - (i) On 18 March 2022, the Company approved the resolution at the first extraordinary shareholders' meeting to conduct a cash capital increase through private placement of common shares. Pursuant to Article 43-6 of the Securities and Exchange Act, the private placement of securities should be completed within one year from the date of the shareholders' meeting resolution.
 - (ii) On 16 March 2023, the Company's board of directors resolved not to proceed with the private placement of common shares for cash capital increase.

V. Operational highlights

i. Content of business:

(i) Business scope:

1. The main content of the Company's business:

- (1) CC01080 Electronics Components Manufacturing
- (2) CC01070 Telecommunication Equipment and Apparatus Manufacturing
- (3) CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
- (4) CC01040 Lighting Equipment Manufacturing
- (5) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
- (6) CC01020 Electric Wires and Cables Manufacturing
- (7) CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
- (8) CC01110 Computer and Peripheral Equipment Manufacturing
- (9) CC01990 Electrical Machinery, Supplies Manufacturing
- (10) CD01030 Motor Vehicles and Parts Manufacturing
- (11) CE01030 Optical Instruments Manufacturing
- (12) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (13) F113010 Wholesale of Machinery
- (14) F113020 Wholesale of Household Appliance
- (15) F113030 Wholesale of Precision Instruments
- (16) F113050 Wholesale of Computers and Clerical Machinery Equipment
- (17) F113070 Wholesale of Telecommunication Apparatus
- (18) F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
- (19) F119010 Wholesale of Electronic Materials
- (20) F401010 International Trade
- (21) IG03010 Energy Technical Services
- (22) I501010 Product Designing
- (23) C802041 Drugs and Medicines Manufacturing
- (24) CF01011 Medical Devices Manufacturing
- (25) F108021 Wholesale of Western Pharmaceutical
- (26) F108031 Wholesale of Medical Devices
- (27) F208021 Retail Sale of Western Pharmaceutical
- (28) F208031 Retail Sale of Medical Apparatus
- (29) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution

The revenue distribution of each major product of the Company and its subsidiaries in 2022 is as follows:

Item	Total sales	(%) of Total Sales
Magnetic Parts	573,533	11.86%
Power Supplies	2,114,693	43.75%
Communication Electronics	2,088,962	43.21%
Optical Communication Products	24,527	0.51%
Other Items	32,474	0.67%
Total	4,834,189	100%

3. The Company's current products (services), and new products (services) planned for development:

(1)Current products (services): electromagnetic parts, power supplies, communication electronics, Optical Communication Products.

(2)New products (services) planned for development: Please refer to i(iii)5. The expected research development direction in 2023.

(ii) The overview of the industry:

1. The current status and development of the industry

At present, the electronics industry can be broadly divided into three categories: information, network communication and consumer electronics. The Company's major products are electromagnetic parts, switch mode power supplies, information and communication products, active optical components and passive optical components, etc. The current status of each industry is as follows:

(1) Magnetic parts

Magnetic parts primarily include transformers and inductive components for power supply, communication, and automotive electronics applications. The relevant application technologies and market overview are described as follows:

Under the framework of achieving global net-zero emissions, the number of charging stations and charging piles is expected to grow several-fold in the next five to ten years. It is estimated that the global penetration rate of electric vehicles will reach 20% by 2024, meaning that one out of every five vehicles worldwide will be electric. The ratio of charging piles to vehicles in the United States was 16.4:1 in 2020, while in the European Union it was 8.5:1. China, which has a more aggressive approach, had a ratio of 6.8:1. These ratios are significantly below the standard ratio of 2:1, indicating the need for increased deployment of charging piles in each country to address range anxiety among electric vehicle owners. The United States plans to invest US\$7.5 billion to establish 500,000 charging stations and 5 million charging piles by 2030. This presents a promising market opportunity for electronic communication transformers.

According to the latest report released by market research firm Yole Developpement (Yole), the total market size of power electronics systems, consisting of main inverters, DC-DC converters, and on-board chargers (OBC), is projected to reach US\$26 billion by 2027. Additionally, according to EVTank analysis, global sales of new energy vehicles (NEVs) increased by 61.6% to 10.824 million units in 2022. It is predicted that NEV sales will reach 25.422 million units in 2025 and 52.120 million units in 2030. The significant growth in NEV sales will drive the demand for corresponding magnetic parts.

The future of the Power Over Ethernet (POE) market also holds great potential in the residential, commercial, and industrial sectors. From 2021 to 2027, the global market for PoE solutions is expected to reach US\$1.7 billion, with a compound annual growth rate (CAGR) of 11%. The key drivers of this market include the adoption of Voice over Internet Protocol (VoIP) phones and wireless networks in various devices, easy and cost-effective installation, and high reliability.

Furthermore, the global lighting market is expected to grow at a CAGR of 25.2% from US\$286.2 million in 2022 to US\$738.9 million in 2027. This indicates a rising demand for electromagnetic components in the lighting industry.

(2) Power supply

Power supplies exhibit characteristics such as high power density, high conversion efficiency, and wide input voltage range, making them suitable for the development trend of lightweight, compact, and energy-efficient end products.

They are not only applied in information technology, communication, industrial equipment, lighting, consumer electronics, new energy devices, and automotive electronics but also in fields such as medical, laboratory, military aerospace, and maritime, becoming essential key components in power electronics products.

With the increasing popularity of cloud computing and the Internet, investments in hyperscale data center infrastructure continue to grow, driving the rapid demand for data computing, storage, and networking equipment. In addition to traditional data center applications, the development of IT servers and network communication devices is further applied to 5G infrastructure to meet the needs of edge computing, thereby driving the continuous growth of data center hardware requirements. Domestic power supply manufacturers have expanded beyond the mid-to-low-end standardized products and entered the mid-to-high-end markets, including the European and American markets that demand information security for 5G infrastructure and data center equipment. This includes power supplies for telecommunications equipment, edge computing server power supplies, rack-level power supplies, DC telecom power supplies, POE, and integrated backup battery systems.

The rapid development of battery and electric vehicle technologies has significantly increased the demand for charging infrastructure, chargers, and energy storage systems. Power supplies play a vital role in this market trend due to their flexible voltage conversion, current regulation, and stable voltage functions, as well as their modular and expandable design advantages.

(3) Information and communication products

In bustling urban roads, inadequate planning of bicycle lanes often leads to situations where bicycles compete with cars and motorcycles for space. Since bicycles do not have rearview mirrors, cyclists cannot monitor the traffic behind them. Turning their heads to check the rear can also hinder their awareness of sudden events in the front, such as vehicles running red lights or pedestrians. This results in frequent accidents during turns or lane changes, posing a threat to the safety of cyclists. Therefore, there is ongoing development to integrate millimeter-wave radar into bicycles and motorcycles, as the integration has reached acceptable levels in terms of integration, power consumption, and cost. This aims to expand the application market of radar to two-wheelers and three-wheelers. Additionally, with the rise of the e-commerce market, various goods are delivered to consumers' doorsteps, often by these types of vehicles. As a result, the demand for such vehicles is increasing, along with the need for enhanced safety measures. Collision avoidance radar is one of the options to enhance safety, and as a result, the entire market is expected to thrive.

(4) Optical communication products

The ongoing development of VCSEL (Vertical-Cavity Surface-Emitting Laser) and related products, adhering to industry standards and gaining customer recognition, has yielded significant advancements. The main products include quad small formfactor pluggable (QSFP) and active optical cables (AOC). To cater to the needs of large-scale data centers, the development of small form-factor pluggable (SFP) modules, four-channel QSFP optical transceiver modules, and active optical cables has progressed from 10Gbit/s and 40Gbit/s to the current 100Gbit/s specification. Furthermore, there is a growing market opportunity in the pursuit of 400Gbit/s capabilities.

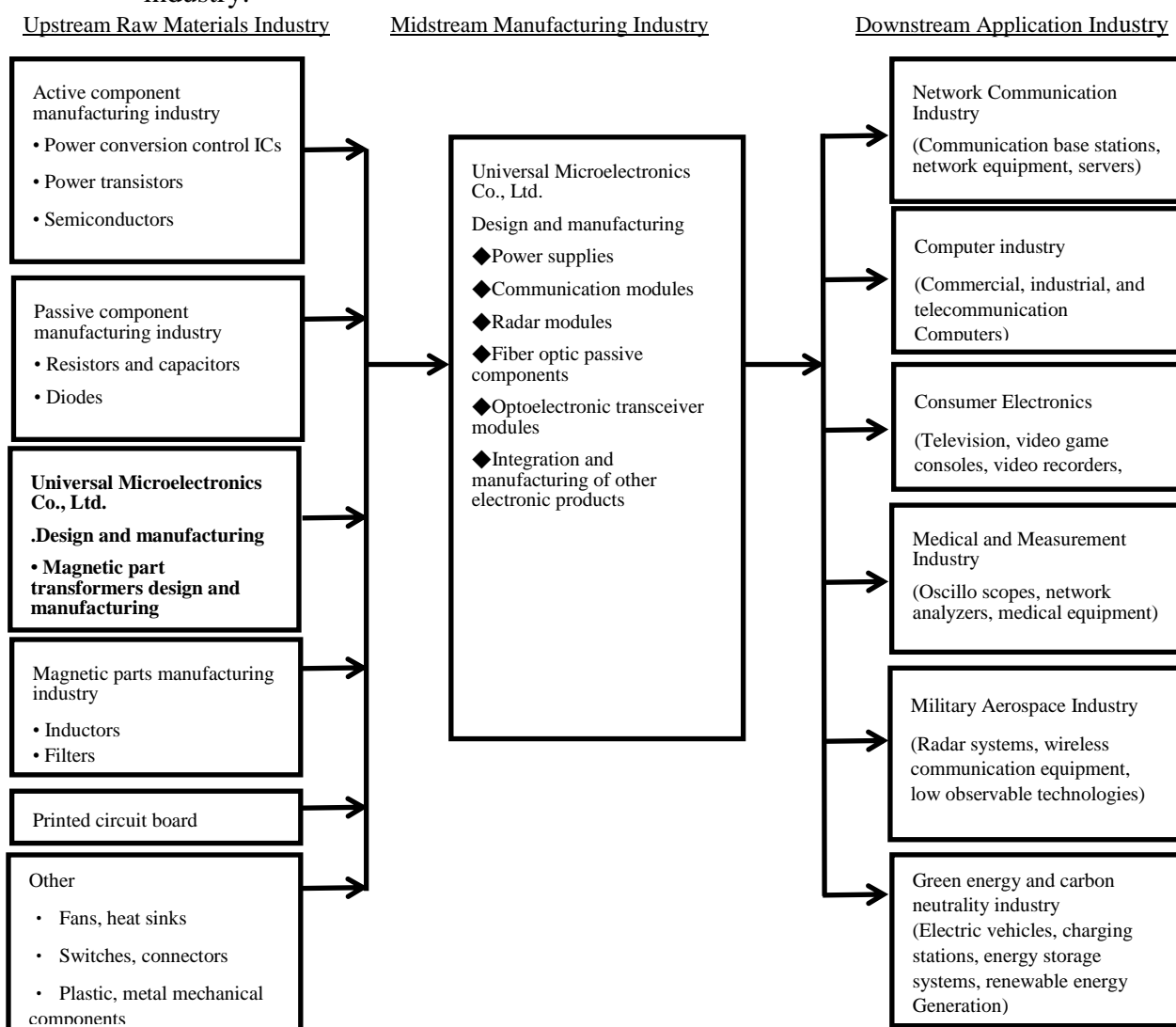
As the consumer market gravitates towards high-resolution and image-centric trends, televisions with 8K resolution or higher are now equipped with HDMI and DP ports. Additionally, consumer electronic USB products such as mobile devices

and laptops are transitioning towards Type-C connectivity. This development aims to provide consumers with the ability to connect their personal devices to televisions and other displays. Consequently, the development of products conforming to these three major specifications is underway.

2. The links between the upstream, midstream, and downstream segments of the industry, and development trends and competition for the Company's products.

With the recovery of the global information and electronic products industry, the expansion of the telecommunications sector, the increasing prevalence of multimedia, and the rapid development of personal computers, coupled with the strong demand for smartphones, fax machines, and electronic stabilizers, the demand for electronic components is expected to increase. Looking ahead, as the industry and government in our country gradually succeed in the development of key materials, the self-production and design capabilities of companies are significantly enhanced, the comprehensive introduction of automated production, and the continuous breakthroughs in key technologies, the communication electronic component industry in which our company operates should have significant growth potential. Furthermore, the Company's efforts to integrate various technologies and develop in the field of network and fiber optic communications applications will also better cater to future market trends.

The Company's main products include magnetic components, power transformers, information and communication products, and optical communication components. The following table summarizes the relevance of the Company's products to the overall industry:



(iii) The overview of the Company's technologies and research

1. Focus on R&D and striving for innovation has always been the goal of Universal Microelectronics Co., Ltd.
2. From the production of electronic parts and components to the manufacture of computers, communication peripheral products, and optical communication products, Universal Microelectronics Co., Ltd. has successfully developed and established a comprehensive product line for PLC data coupling transformers (01-11D) to meet the future demand in the charging pile market. Additionally, the company has designed the EP13LH10 platform power transformer (04-38D) series with enhanced insulation strength for industrial applications. Furthermore, Universal Microelectronics Co., Ltd. has completed the development of a 65W high-density miniaturized adapter supporting USB Type-C with PD functionality. The railway power product line has been expanded to cover a range of 15W to 300W, and the company has introduced cost-competitive fully digital 150W-2200W server power supplies compliant with Intel platform requirements. The company has also launched power modules supporting ultra-wide input ratios of 40W to 200W for applications such as smart grid DC distribution or railway electrical control systems. In addition, Universal Microelectronics Co., Ltd. has developed high-power-density medical standard power supplies (adapters, 250W 2"*4" open frame, 400W 3"*5" open frame) as well as IP68-rated digital intelligent control marine/camping vehicle chargers, fanless high-ambient-temperature design high-efficiency high-power-density dual-output network equipment power supplies (550W- 950W). The Company has completed the development of a 24GHz radar system used for detecting motion in household automatic faucets and has delivered samples to a Japanese manufacturer. Furthermore, low-power 77/79GHz radar for bicycle applications has been developed. Universal Microelectronics Co., Ltd. has also accomplished the development of high-precision die-bonding machines, SFP+ optical transceiver modules, active optical cables, 1x4+1CDWDM, and PM DWDM fiber passive components.3. To reach the guarantee of “cutting-edge predicts”, Universal Microelectronics Co., Ltd. has actively cultivated talents. Currently, the Company possesses hundreds of R&D employees, which accounted for 30% of indirect labor. Furthermore, the Company appropriates more than 4-6% of revenue every year as R&D funds. By participating in the joint development and research of domestic and foreign research institutions and technical cooperation, the Company introduced the most advanced technology and accumulated R&D experiences.
3. To ensure the guarantee of “top products”, Universal Microelectronics Co., Ltd. actively cultivates talents. Currently, the Company has over a hundred R&D personnel, accounting for 30% of the indirect workforce. Additionally, the Company allocates approximately 3-6% of its annual revenue as R&D expenses. Universal Microelectronics Co., Ltd. also engages in collaborative development and research with domestic and international research institutions, while simultaneously collaborating with world-leading companies to introduce the most advanced technologies and accumulate research and development experience.
4. To improve R&D skills and develop the application of new technology, the Company and its subsidiaries have invested a total of NT\$228,598 thousand in R&D expenses since 2022 and as of the first quarter of 2023.

Unit: NT\$(in thousands)

Year	January-March 2023	2022
R&D expenses	44,864	183,734
R&D expenses to revenue	3.60%	3.80%

5. The expected research development direction in 2023 is as follows:

(1) R&D of magnetic-related products

Future positioning of magnetic products - Creating new value through new technologies (new markets). The development directions for new products are as follows:

- ①Development of magnetic components for networking and power line communication technology applications.
- ②Development of magnetic components for networking remote power supply, power management, and medical electronic technology applications.
- ③The Company has established AEC-Q200 verification capability and IATF16949 system certification for automotive passive electronic components, paving the way for future expansion in the automotive electronic passive component market.
- ④Collaborating with the development of the 4C industries, expand the application areas of automotive electronic electromagnetic components in applications such as automotive communication (Controller Area Network - CAN), reverse ultrasonic radar, power management, automatic lighting in electric vehicles, and battery charging.
- ⑤Addressing the increasing demands for miniaturization, high-voltage resistance, and automated design of electromagnetic components. Optimizing structural design to meet UL safety regulations (primary & secondary spacing) and achieving optimal application, optimization, and price requirements.

(2) R&D of power supply (SPS) related products:

- ①Development of a compact 300W adapter with GaN type PFC & LLC architecture, increasing the frequency to enhance power density and comply with the latest energy efficiency regulations.
- ②Development of a 220W three-output power supply for office equipment, utilizing a Flyback circuit architecture and improving light-load efficiency to meet the energy efficiency requirements of the office equipment market.
- ③Development of a high-efficiency 250W 2"x4" standard AC/DC open-frame product that complies with specifications such as IEC60335-1, IEC6238-1, and medical safety standards IEC60601-1.
- ④Development of a wide-input voltage range (12x) module designed to meet EN50155 and RIA12 standards, featuring an internal Vbus pin to achieve railway application requirements of EN50155 Class C2.S2.
- ⑤Development of 400W to 800W intelligent chargers that comply with UL1236 charging standards, featuring IP68 waterproof rating, remote control capability, and Bluetooth connectivity to meet the advanced application requirements of marine, maritime, and camping vehicles.
- ⑥Development of 150W to 2400W PoE (Power over Ethernet) and 12V CPRS (Centralized Power Redundancy System) series products to address the intelligent power supply demands for transmission networks, core networks, cloud data centers, and 5G terminal applications.

(3) R&D of information communication products (ICP) related products:

- ①Continuously develop and apply 24GHz radar technology to enhance its application in other industrial and commercial short-range detection applications.
- ②Develop the second generation of bicycle radar and UN R151 BSIS radar to achieve lower cost, lower power consumption, and higher detection efficiency.
- ③Develop 60GHz radar products for automotive and industrial home applications.

(4) R&D of optical communication products:

- ① Develop high-speed fiber optic cables for data centers, including products such as 100G QSFP and 25G SFP+, to provide reliable and high-bandwidth communication links that meet the needs of large-scale data centers.
- ② Develop high-speed cable solutions for the general consumer market, such as USB 3.1 Type-C, HDMI 2.1, DP 2.0, DVI, KVM, and other products. Customized product development can cater to various applications in households, factory management systems, healthcare systems, educational systems, etc.
- ③ To avoid profit erosion due to price competition among competitors, focus on the research and development of customized and miniaturized WDM (Wavelength Division Multiplexing) devices to maximize product profitability.

(iv) The Company's long- and short-term business development plans

1. Short-term business development plans

- (1) Marketing strategy: Achieving the optimal balance between product sales revenue and profit involves determining the proportion of standard specification products and custom specification products.
- (2) Production policy:
 - ① Rationalize the arrangement of existing plants and consistently optimize the manufacturing process to maximize production efficiency.
 - ② Improve productivity and activation, etc. to maximize the benefits of investment. Reduce production costs and enhance the international competitiveness of the Company's products through on-site management.

2. Long-term business development plans

- (1) Marketing strategy: The industry in which the Company operates is a global industry, and the mastery of its channels is of great help to its business expansion. Therefore, the Company will continue to expand its overseas business presence at the right timing and locations to provide more direct services to local customers, agents, and distributors. This will enable the Company to increase its market share.
- (2) Manufacturing policy: In response to the changing global political and economic landscape, the Company will leverage the advantages of its cross-domain manufacturing facilities to provide the production services that its customers require. The Company will also adhere to the ESG policies of each country, ensuring a commitment to sustainable business practices for the benefit of its customers and shareholders. The Company's main focus is on OEM and ODM products, continuously developing new products to enhance their value-added features.
- (3) Product development direction: The Company aims to develop and master key components and technologies in its specialized product field. Additionally, as environmental awareness continues to rise, its long-term research and development goals will also focus on resource conservation and efficiency improvement to response to the increasingly competitive market.
- (4) Operation scale and financial cooperation direction: In order to cope with the growth of business scale, the Company's financial cooperation is supported by equity funds or bank loans and handle cash capital increase, issuance of corporate bonds or issuance of other financial products to raise long-term funds to participate in operations.

ii. Market and sales overview

(i) Market analysis

1. Sales region of the Company's main products and services

The manufacture and sales of the Company and its subsidiaries' magnetic parts, power supply, information and communication products, and optical communication products. The sales contents and ratios are as follows:

Unit: NT\$ (in thousands)		
Item \ Unit	2022	
	Amount (NT\$)	%
Magnetic parts	573,533	11.86%
Power supply	2,114,693	43.75%
Information and communication products	2,088,962	43.21%
Optical communication products	24,527	0.51%
Other items	32,474	0.67%
Total	4834,189	100.00%

The sales distribution of the Company and its subsidiaries are mainly focused on exports with domestic sales as a supplement. The Company's main sales areas are Asia and the United States, and their relevant information is as follows:

Unit: NT\$ (in thousands)			
Sales area \ Year		2022	
		Amount (NT\$)	%
Local	R.O.C.	1,311,216	27.12%
Export	Asia	1,224,934	25.34%
	The U.S.	2,134,133	44.15%
	Other countries	163,906	3.39%
	Subtotal	3,522,973	72.88%
Total		4,834,189	100.00%

2. The demand and supply conditions for the market in the future

(1) Magnetic parts

Due to the strong demand for passive components, the transformer industry is also promising, with a focus on automation and high-value-added product manufacturing. It is expected that the rapid market growth in the future will drive domestic and international players to continuously expand their production capacity to meet the demand. With excellent production technology, cost control, a complete industrial chain, and flexible order acceptance, domestic players are expected to maintain good growth.

The transformer industry is part of the passive electronic component sector, which is an essential component in almost all circuits. According to statistics, the global market size of passive electronic components has been growing year by year. As the demand for transformers is derived from downstream electronic component manufacturers, the future growth of downstream customers is crucial for the development of the transformer industry. The demand for upstream transformers will continue to grow with the development of smart grids, network remote power supply, home networks, LED lighting, automotive electronics, medical electronics, and wired

broadband access communication products.

(2) Power supply

The rapid development of cloud computing, the Internet, electric vehicle onboard electronics, optoelectronic applications, smart devices, and new energy sources has also driven the growth of industrial electronics products. The increasing demand for servers, storage devices, and network communication products has contributed to the positive outlook. Additionally, the growth in energy storage, charging infrastructure, and medical equipment further fuel the long-term growth of the power supply industry. The Company possesses advanced technology and flexible customization capabilities through collaborations with world-class manufacturers. The Company specializes in AC/DC power supplies, server power solutions, and DC conversion modules. With profound expertise in power supply research and a diversified product portfolio, it offers a wide range of power solutions for consumer, enterprise, telecommunications, transportation, and industrial applications. The Company's multinational production facilities with automated manufacturing capabilities and flexible capacity planning enable efficient global production and distribution. It is committed to providing comprehensive power management system solutions, aiming to explore new opportunities in the power supply market.

(3) Information and communication products

The global market demand for ADAS (Advanced Driver Assistance Systems) radar systems in personal vehicles are continuously growing, driven by the increasing need for vehicle safety and advancements in sensor technology. ADAS or advanced driver-assistance systems provide drivers with support for navigation, blind spot detection, parking, and various other applications. It is estimated that these benefits will drive market growth. Additionally, the growing demand for personal vehicles, supported by an increase in disposable income, is expected to further propel the market. However, the high manufacturing and installation costs of ADAS systems, as well as the weak infrastructure in emerging economies, are expected to be key restraining factors for the global ADAS radar system market growth during the forecast period. Major OEMs are integrating ADAS solutions to achieve higher safety levels and attract more consumers. This calls for the standardization of safety systems across different vehicle models and offers them additional features. The increasing awareness of safety and the rise in the number of accidents are the primary drivers of growth in the ADAS market, leading to increased demand for radar sensors in countries such as China, the United States, and Europe. The Federal Communications Commission (FCC) in the United States and the European Telecommunications Standards Institute (ETSI) have restricted the use of 24GHz radar within the 5GHz bandwidth. After a certain period, Ultra-Wideband (UWB) will no longer provide the 24GHz frequency range. Major OEMs and Tier-1 automotive component manufacturers are transitioning to long-range 77GHz radar to enhance reliability and compliance. This is expected to drive the demand for radar sensors in the ADAS market. Furthermore, there is an increasing focus on collision prevention systems in semi-autonomous driving systems, which is expected to further increase the demand for radar sensors during the forecast period.

(4) Optical communication products

According to the latest biennial market report "10G/40G/100G Data Center Optical Products" by market research firm IHS Infonetics, 65% of 10G/40G/100G/400G modules are deployed in data center applications. In terms of the future development of the optical module market, active optical cables will replace traditional copper wire high-speed transmission products, with applications ranging from general households, educational centers, unmanned data centers, security surveillance, and healthcare, to home theaters.

3. Positive and negative factors contributing to the developmental prospects

(1) Positive factor

① Product diversification and broad market coverage.

In addition to a strong technological foundation, it is crucial for the company to have a deep understanding of market information and industry developments. Our company follows the principle of developing both OEM/ODM and standard products and actively pursues diversified and decentralized market expansion. Currently, we collaborate with our marketing channels, sales representatives, and distributors to gather market and industry intelligence from various regions. We also engage in joint development and design with our customers to stay informed about technology trends and make informed business decisions. By adopting a strategy of product diversification and broad market coverage, our company is able to adapt to the diverse economic characteristics and industry cycles of different regions, effectively capturing market dynamics and mitigating risks.

② Leading R&D technology and possessing high process capabilities.

The electronics industry is characterized by short product life cycles, making product research and development crucial for the survival and growth of high-tech companies. The enhancement of process capabilities serves as the foundation for the success of product development. Recognizing this, the Company has been dedicated to talent cultivation since its establishment. Currently, we have a team of over a hundred R&D professionals who develop a range of products in-house. Additionally, the Company collaborates with domestic and international research institutions or customers to introduce advanced technologies and accumulate experience. In terms of process technology, we have expertise in various SMT (Surface Mount Technology) applications, such as BGA (Ball Grid Array) and CSP (Chip Scale Packaging). We complement our capabilities with high-precision assembly equipment and computer-aided design tools (CAD). This ensures that our product research, design, and process capabilities meet global standards. The Company has successfully developed multiple electronic components and peripheral products, which are sold to numerous internationally renowned enterprises.

③ Well-established management system and excellent product quality.

The Company has implemented a comprehensive computerized information system to manage various processes, including product development, order processing, material management, production control, on-site operations, and shipping. This allows us to have full control and visibility over each stage of the production cycle. Additionally, the Company's research and development team continuously conducts studies on alternative materials to improve product yield and reduce costs, leveraging economies of scale. Through meticulous management and dedicated research efforts, The Company has achieved superior product quality. Its commitment to quality has been recognized through multiple quality awards, and we have obtained certifications such as ISO 14001, ISO 45001, ISO 9001, TL 9000, and IATF16949. We have also obtained various factory certifications including Japan's PSE, USA's UL, Germany's TUV, China's CCC, and the European CE Mark, comprising a total of 14 safety certifications. The Company's excellent product quality has earned the trust of international major companies, leading to long-term and stable cooperative relationships. These factors contribute to a stable source of orders, as the Company's superior product quality has been trusted by international clients for

many years.

- ④The Company has achieved excellent control over the sourcing of raw materials and components.

Over the years, the Company has maintained long-term and strong OEM/ODM relationships with our customers. This has greatly facilitated its access to reliable suppliers of raw materials and components. The Company's established relationships with these suppliers enable us to have a high degree of control over the sourcing of critical raw materials and components. Having a trusted network of suppliers allows us to explore alternative parts and components, seek out different sources of supply, and ultimately reduce procurement costs. This enhances the Company's market competitiveness and enables it to adapt to changing market conditions effectively.

- ⑤Enter the internet communication and automotive electronics industries in a timely manner.

In response to the trend of integration within the 3C (Computer, Communication, and Consumer Electronics) industry, our company not only maintains its existing power supply products and communication transformers but also focuses on developing ODM products in areas such as satellite navigation systems (GPS), information and communication technology products, and digital home networking modules.

- ⑥Financial strategy

The Company adheres to a prudent and conservative financial approach, emphasizing financial planning and maintaining good relationships with partner banks. The Company also utilizes various financial instruments to address the funding requirements that arise from the expansion of our operations. By ensuring a sound financial structure, the Company establishes a solid foundation for the company's growth and expansion.

(2) Negative factors and countermeasures

- ①With a high proportion of the Company's sales coming from exports, the Company is susceptible to the impact of exchange rate fluctuations

Over the past three years, the Company's average proportion of export sales to net revenue has been approximately 80%. As a result, the Company's sales revenue is highly susceptible to exchange rate fluctuations. However, it is worth noting that around 70% of our purchased materials are denominated in foreign currencies. Therefore, exchange rate volatility affects both the Company's selling prices and costs.

Countermeasure:

To mitigate the impact of exchange rate fluctuations, the Company has implemented several strategies. Firstly, the Company utilizes receivables from export regions to offset the local procurement costs for raw materials and components, thereby achieving a balance in foreign currency assets and liabilities. Additionally, the Company actively expands its business in other markets, gradually diversifying the risks associated with currency fluctuations. Furthermore, the Company adopts the currency chosen by its major competitors as the pricing benchmark, allowing it to align its quotes with market trends and minimize the exchange rate risk.

- ②Rising labor costs in Chinese factories

As the Chinese economy continues to grow and with the implementation of government policies, the cost of labor in the region has been steadily increasing.

Countermeasure:

Products with more labor-intensive processes have been relocated to countries like Vietnam where labor costs are relatively low. On the other hand, efforts have been made to increase the level of automation in product manufacturing. Research and development personnel are actively engaged in product innovation and technological advancements, continually improving processes and equipment to reduce labor costs and maintain competitiveness.

③The market is characterized by intense competition with numerous competitors

Due to the short product lifecycle and rapid flow of market information in the electronic communication industry, both domestic and international manufacturers are increasingly entering the market, leading to intensifying competition.

Countermeasure:

The Company utilizes its existing technology development and excellent manufacturing processes, along with diversified product development, to quickly grasp market trends and enhance competitiveness. It actively embraces the development of network communications and adjusts production configuration accordingly. Additionally, it strategically enters the automotive electronics market to seize development opportunities.

(ii) The usage and manufacturing processes for the Company's main products

1. Magnetic parts:

The electromagnetic parts manufactured by the Company include:

- (1) Various inductive components used in switch mode power supplies
- (2) Various inductive components used in telecommunications equipment and communications equipment

Manufacturing process:

Wiring→Assembly→Semi-finished product testing→Varnished (epoxy potting)
→Finished product testing→ Finished products packaging and storage

2. Switch mode power supplies:

- (1) Redundant Power Supply: The power supply application for data center equipment such as servers, storage devices, cloud computing, networking and telecom equipment, and surveillance equipment.
- (2) Adapter: Ice machine power supply, laptop, LCD display power supply, printer, PoE power supply, medical equipment, USB Type-C PD charger and smart home equipment application.
- (3) AC/DC & DC/DC: Exclusive power supply system for base station power amplifiers in 4G and 5G communications markets, medical electronic equipment, industrial electronic equipment, a power system for railway application, chargers, etc.

Manufacturing process:

SMT automatic placement/Manual insertion→ Welding→ Repair welding→
Assembly of the bottom→ Functional test→ Aging test→ Finished product testing→ Finished products packaging and storage

3. Information and communication products:

According to the accumulated experience and design specifications, the active and passive parts such as IC and transistors are surface-mount technology on the circuit substrate. Then, carry out the assembly work to make this substrate product have its

unique functions. The application scopes are the information industry, communication industry, consumer electronics, medical electronic equipment, automotive electronics, and radar products.

General manufacturing process:

Solder paste printing→ SMT Automatic Placement→ Infrared Welding→Solder pot→ Artificial Plugin→ Cleansing → Repair Welding→In-Circuit-Test→ Burn-in test→ Functional test→ Finished products packaging and storage

The manufacturing process of high-frequency millimeter waves products:

Solder paste printing→SMT Automatic Placement→ Infrared Welding→Solder pot→Artificial Plugin→ Cleansing→ Repair Welding→In-Circuit-Test→ mmWave IF test→ Burn-in test→High-frequency millimeter wave performance Monopulse testing→Finished products packaging and storage

4. Optical communication products:

At present, the Company's main products are HDMI, DP, DVI, KVM, QSFP, SFP+, USB AOC Cable, and optical passive components.

(1) HDMI、DP、DVI、QSFP、SFP+、USB AOC Cable used for long-distance video transmission and high-speed data transfer.

Manufacturing process:

SMT→ Die/Wire Bonding→ Assembly of optical modules→ Testing→ Finished products packaging and storage

(2) Optical passive components are related components that distribute optical power and optical signals, with the purpose of signal power distribution and path switching. The function includes connection, coupling, attenuation, beam splitting, and rotating light path, etc. The related product includes optical connectors, optical fiber couplers, wavelength division multiplexers, etc. The application scope is mainly the components and parts used in the establishment of the broadband network.

Manufacturing process:

(A) Optical coupler: Fusion→ External packaging→ Thermal cycling→

Test and inspection→ Finished products packaging and storage

(B) C/DWDM: Assembly→Light Coupling→External packaging→ Thermal cycling→Testing and inspection→ Finished products packaging and storage

(iii) The supply situation for the Company's major raw materials:

The raw materials used by the Company are not special materials and are easy to obtain in the market. The Company has been cooperating with raw material suppliers for many years and has maintained a good relationship with these suppliers. Furthermore, the Company has maintained more than two suppliers to ensure the supply of raw materials and reduce the risk of material shortage. So far, the supply of raw materials is stable and good, and the price can respond appropriately to the market conditions of the information electronics industry in a timely manner. As a result, the Company's supply situation of major raw materials is good.

Main Product	Major Raw Materials	Supply Situation
Magnetic products	Magnetic core (Core)	The main suppliers are leading international companies and domestic TPEX listed companies with stable quality and supply.
	Magnet wire (Wire)	The main suppliers are domestic TWSE and TPEX listed companies, and the supply has been stable for many years.
Optical communication product	Printed circuit board	The Company has long-term cooperation with many suppliers. The quality and supply of these suppliers have been stable.
	Mechanical parts	Mainly includes a number of suppliers of plastic parts and metal parts, and are being audited regularly. The suppliers are stable in quality and supply.
	Semiconductor parts	The main materials are all products of major semiconductor leading companies in the world and the products of TWSE and TPEX listed companies. The Company has interacted with major agents and original factories, and can flexibly utilize various resources scheduling when out of stock. In recent years, due to market supply and demand issues, the lead time has been extended and the price has been increased. the future purchase plan has been adjusted to respond in advance. Therefore, the Company has adjusted the future material purchase plan to respond to relevant situations in advance. Additionally, the Company maintains good relations with spot merchants in each major region and pays attention to market changes at any time. And these spot merchants are served as the source of supply to respond to the emergency of dispatching materials.
	Passive components	Mainly includes an electrolytic capacitor, multi-layer Ceramic Capacitor(MLCC), chip resistors, etc. The main suppliers are domestic TWSE and TPEX listed companies, and the quality has been stable for many years.
	Transformer and inductor	Mostly are made by Universal Microelectronics Co., Ltd. to stabilize the supply, increase the self-made rate and reduce the cost.
Optical communication product	Gradient Index Rod Lenses	The Company has long-term cooperation with various suppliers, and the quality and supply status is stable.
	Glass capillary tube	The Company has long-term cooperation with various suppliers, and the quality and supply status is stable.
	Optical fibers	The Company has long-term cooperation with various suppliers, and the quality and supply status is stable.

(iv) List of major purchase and sale customers

- Suppliers and clients accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each.

Unit: NT\$ (in thousands)

2021				2022				2023 as of the previous quarter			
Company Name	Amount	Percentage (%)	Relation with Issuer	Company Name	Amount	Percentage (%)	Relation with Issuer	Company Name	Amount	Percentage (%)	Relation with Issuer
Customer A	1,156,001	28.61%	None	Customer A	1,592,884	32.95%	None	Customer A	496,624	39.84%	None
Other	2,884,353	71.39%		Other	3,241,305	67.05%		Other	749,962	60.16%	
Total	4,040,354	100.00%		Total	4,834,189	100.00%		Total	1,246,586	100.00%	

(1) Customer A was the largest sales customer in 2022, mainly selling information and communication products. The customer's orders remained stable and the order status was good. As of the first quarter of 2023, it was still the largest sales customer.

2. Manufacturers accounting for 10 percent or more of the Company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total sales accounted for by each: None.

(v) Production volume and value of main products in the most recent 2 years

Unit: 1,000 pcs, NT\$ (in thousands)

Year Output Major Products	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Magnetic parts	95,000	65,048	485,006	50,000	39,417	354,746
Power supply	11,000	7,728	1,378,797	11,000	7,443	1,824,776
Information and communications product	13,000	9,766	1,471,183	9,000	6,588	1,407,730
Optical communication product	300	223	71,162	200	108	30,928
Other	100	0	0	0	0	0
Total	119,400	82,765	3,406,148	70,200	53,556	3,618,180

(vi) Sales volume and value of main products in the most recent 2 years

Unit: 1,000 pcs, NT\$ (in thousands)

Year Shipments & Sales Major Products	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Magnetic parts	15,345	160,535	43,802	466,772	11,005	139,887	33,042	433,646
Power supply	3,923	812,756	4,884	744,239	2,784	1,064,859	5,458	1,049,834
Information and communications products	3,106	112,750	12,710	1,643,087	1,115	81,645	13,055	2,007,317
Optical communication product	36	9,731	52	23,903	4	12,097	108	12,430
Other	56	10,262	298	56,319	80	12,728	1,177	19,746
Total	22,466	1,106,034	61,746	2,934,320	14,988	1,311,216	52,840	3,522,973

iii. Employee statistics for the most recent 2 years up to the annual report publication date

Year		End of 2021	End of 2022	As of 31 March 2023
Number of Employees	Direct labor	2,140	1,925	1,942
	Indirect labor	813	787	780
	Total	2,953	2,712	2,722
Average age		33.03	34.62	34.95
Average years of service		5.00	6.61	6.62
Education Distribution Percentage (%)	Ph.D.	0.09%	0.14%	0.15%
	Master's Degree	3.01%	2.48%	2.54%
	Bachelor's Degree	26.82%	28.84%	29.12%
	Senior High School	37.94%	39.38%	39.76%
	Below Senior High School	32.14%	29.16%	28.43%

iv. Environmental protection expenditure

- (i) Losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.
- (ii) Estimate of possible expenses that could be incurred in the future and measures (including improvement measures) being or to be taken: None.
- (iii) In response to the implementation of RoHS, the Company has abided by the relevant regulations of the industry. Countermeasures have been taken for environmental protection and lead-free process, and at the same time to ensure that the Company's product quality can be sold to countries around the world without concern. Therefore, the implementation of the restriction has no significant impact on the Company.

v. Labor relations

- (i) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee Welfare

Employee benefits planning is an important factor in maintaining labor relations other than salary. Since the establishment of the Employee Welfare Committee on February 1994, the Company has planned various welfare measures (including holiday bonuses, birthday gifts, gift certificates, company trips, subsidies for special occasions, contracted merchants, etc.), employee dormitories, employee food allowance, special discounts for contracted hospitals and medical institutions, regular health checks, employee emergency aid, group insurance, etc.

The current welfare measures are as follows:

- (1) Meal reimbursement for each department, gifts for Labor Day, Mid-Autumn Festival gifts, club subsidy, incentive bonus, employees patent application reward, employee proposal reward
 - (2) Birthday gifts, gift certificates
 - (3) Take out labor insurance, national health insurance, labor pension, employee group insurance, employee emergency aid
 - (4) Wedding gifts, gifts of money to the family of the deceased, maternit leave, tocolysis leave for pregnant women, pregnancy checkup accompaniment, pregnancy checkup leave, parental leave, maternity benefits
 - (5) Year-end bonus, lucky draw, birthday celebration, club subsidy, travel subsidy for domestic tourism and international travel, providing books and magazines, holding various volunteer services or recreational activities, etc.
 - (6) On-the-job training for employees
 - (7) Regular health checks, special discounts for contracted hospitals and medical institutions
 - (8) Contracted merchants, group buying platform
 - (9) Staff uniforms, staff canteen, meal reimbursement for employees, employee dormitory parking lot for cars and motorcycles, gym, 24HR ATM
2. Continuing education and training:
- (1) To cultivate employees' correct working attitude and methods and stimulate their potential, the Company has stipulated an "SOP for training". The Company implemented this by introducing the human resource management system of the TTQS system. Allow the Company maintains outstanding competitiveness in the fiercely competitive global market and continues to create and demonstrate high-performance business result.

Employees' continuing education and training in 2022 are as follows:

Employees' continuing education and training			
Year	2022		
Number of participants	7,136		
Item	Number of Courses	Total Participants	Total Hours
New employee orientation	19	1,308	5,232
Vocational skills training	306	4,508	8,332
Management training course	26	1,320	2,640
Total	351	7,136	16,204

(2) Training and development

- ① Take the Company's overall development goals as the direction, the Company implements the procedure of selecting, educating, employing, and retaining for introducing outstanding talents, continuing on-the-job training, and promoting trained talents on the basis of a vocational system to realize the mutual development of the Company and each employee.
- ② Sound training system
 - a. Pre-employment training for new employees
 - b. Vocational training
 - c. Job position(post) training

- d. Special and professional training
 - ③ Combine a performance management system and sound promotion system to achieve the goal of talent development
3. Retirement system and implementation status
- In order to ensure the well-being of the Company's employees during their employment and to support their post-retirement lives, the Company has established an Employee Retirement Policy. According to this policy, eligible employees who meet the requirements are entitled to receive retirement benefits in accordance with the relevant provisions of the Labor Standards Act. To ensure the proper allocation of retirement funds, we have established the Labor Retirement Fund Supervisory Committee, which regularly monitors the allocation and execution of retirement funds. Since September 1994, the Supervisory Committee of Labor Retirement Reserve has been responsible for monthly contributions to the retirement fund, which is held in a separate account managed by the Central Trust of China. As of the date of this annual report, the balance of the retirement fund account is NT\$ 129,726 thousand. Employees can review the allocated amount in their monthly salary statement for easy reference and verification.
- (1) The employee who is under any of the following circumstances may apply for retirement:
 - ① Who has completed more than 15 years of service and is aged 55 or above.
 - ② Who has completed more than 25 years of service.
 - ③ Who has completed more than 10 years of service and is aged 60 or above.
 - (2) The employee who is under any of the following circumstances will be compulsorily retired by the Company:
 - ① Aged 60.
 - ② Who is incapable of his/her work due to mental or physical disability.
 - ③ Other special employees who have been approved by the competent authority for compulsory retirement.

The standard for the conversion of pension bases is the average monthly salary at the time of being approved for retirement
 - (3) Grant of pension:
 - ① The pension payment standards for the employee who is applicable to the Labor Standards Act (the old system) is as follows:
 - a. Who has completed less than 15 years of service will be granted two bases every full year.
 - b. Who has completed more than 15 years of service will be granted a base annually. The total should be under 45 bases. Those who haven't completed half a year of service should be counted as half a year, and those who have completed half a year of service should be counted as one year.
 - c. Those who were compulsorily retired according to the two paragraphs of the preceding article, If the mental or physical disability was caused by the performance of duties, an additional 20% of the pension should be paid in accordance with the provisions of the preceding two paragraphs.
 - ② The pension payment standards for the employee who is applicable to the Labor Pension Act (the new system) is as follows:

According to the classification of labor pension, 6% of the employees' monthly salary will be contributed as the labor pension on a monthly basis.

The retirees who have been approved and completed the resignation procedures will be granted pensions within 30 days from the date of retirement. However, if the Company is in financial difficulty, the pension will be paid in installments after being reported to the competent authority for approval.

4. The code of conduct for employees, personal safety and working environment, employee relations and communication:
- (1) The code of conduct for employees
The Company has stipulated an employee manual and placed it on the company's website. The employee manual has written the details of relevant regulations, welfare, rewards and punishments, labor safety, labor-management harmony, etc. that employees should abide by.
 - (2) Personal safety and working environment
The Company conducts regular health check-ups for employees, arranges safety and health management personnel, formulates various labor safety management rules, conducts safety and health management training, conducts fire drills, etc. according to the regulation of the Occupational Safety and Health Act. To avoid accidents and disasters, automated external defibrillators were installed in the factories to protect the safety of employees.
 - (3) Employee Relations and Communication
The Company focuses on the employees' capabilities of self-esteem, self-respect, and self growth. The Company cares about the employees' needs and provides them with a safe working environment. Promote mutual understanding between labor and management through different channels (departmental meetings, bulletin boards, online announcements, etc.), and further leads the employees to work on the common goals efficiently.
 - (4) The Company strictly abides by domestic and foreign labor and human rights regulations and treats all the employees equally, including:
 - ① Formulate labor conditions in accordance with government labor-related laws and regulations.
 - ② Comply with the "Employment Service Act" and provide open, fair, and just job opportunities to all job seekers.
 - ③ Set up multiple complaint channels, and the employees can appeal anytime and anywhere if their rights and interests have been violated or improperly handled.
 - ④ Pay attention to the publicity of sexual harassment prevention and provide employees with clear complaint channels to ensure the rights and interests of the employees.
 - ⑤ Regularly hold labor-management meetings and related seminars to provide channels for the employees to communicate directly and express their opinions.
5. Labor-management agreement and various employee rights and interests protection measures:
- (1) Set up multiple complaint channels, and the employees can appeal anytime and anywhere if their rights and interests have been violated or improperly handled. The Company pays attention to the publicity of sexual harassment prevention and provides employees with clear complaint channels to ensure the rights and interests of the employees. Regularly hold labor-management meetings and related seminars to provide channels for the employees to communicate directly and express their opinions.
 - (2) If there is any problem between the labor and management of the Company, the representatives of both parties can fully express and communicate in the labor-management coordination meeting, and seek the best solution in the spirit of coordination and cooperation. The Company provides various welfare such as staff uniforms, staff canteen subsidies, birthday gifts, holiday bonus, emergency aid and

marriage and death subsidies. Furthermore, holding labor training courses regularly, or holding various entertaining activities from time to time for the relaxation of the employees' bodies and minds.

- (ii) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

vi. Cyber security management:

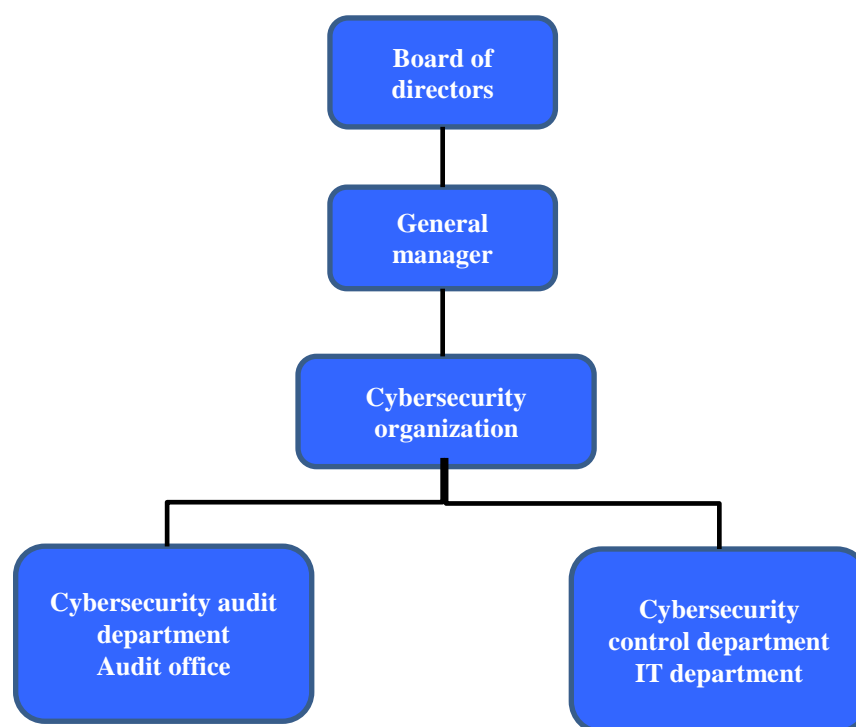
- (i) The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management

1. The cyber security risk management framework:

(1) Corporate information security governance organization

Universal Microelectronics Co., Ltd. established a “cyber security organization” in 2022, which manages the IT department and is responsible for formulating, implementing risk management, and the compliance check of the relevant policies on cyber security and protection. The top executive of the cyber security organization reports the effectiveness of cyber security management, issues, and directions related to cyber security to the board of directors every year. The organization holds meetings every six months to review and makes resolutions on cyber security and information protection guidelines and policies and implements the effectiveness of cyber security management measures.

(2) Cyber security risk management framework of Universal Microelectronics Co., Ltd.

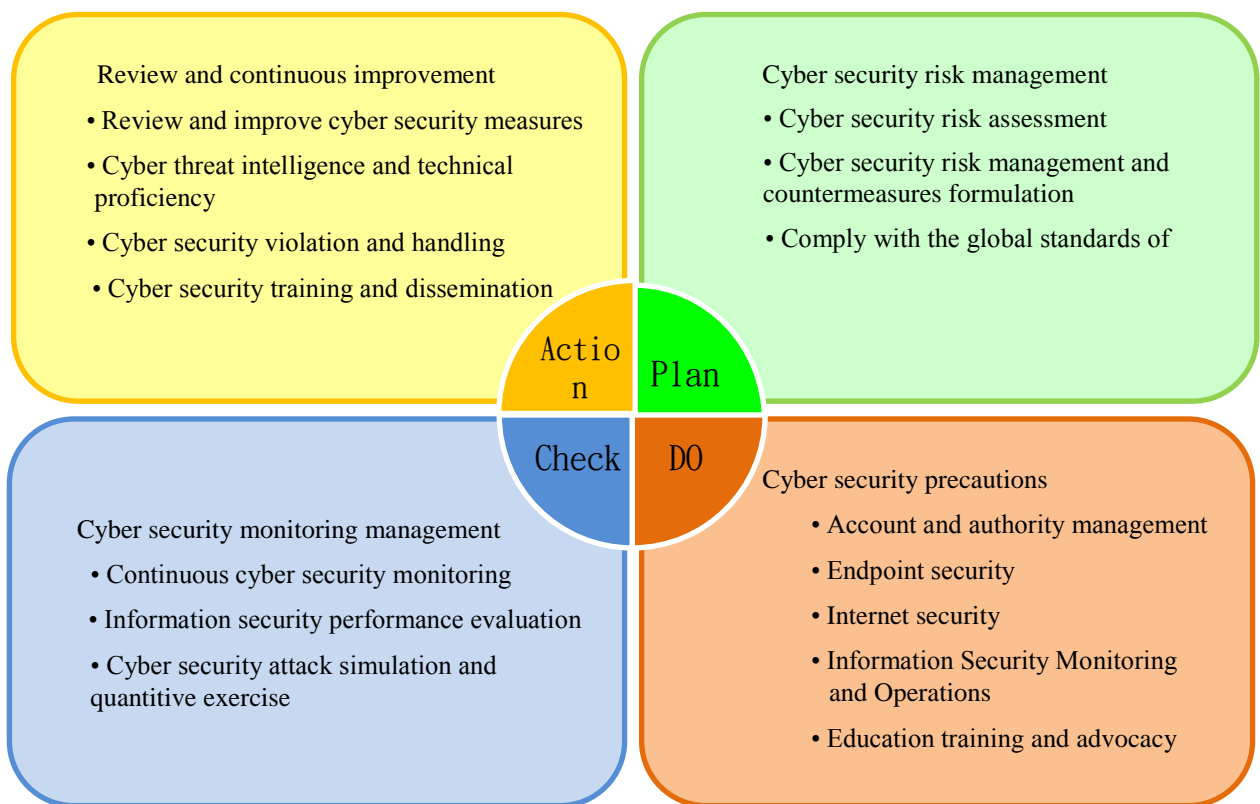


2. Cyber security policy:

(1) Cyber security policies and frameworks

The IT department is the responsible business unit for cyber security. The department is comprised of an IT manager and several IT professionals, and the department is responsible for the formulation of internal cyber security policies, the planning and implementation of cyber security operations, and the promotion and implementation of cyber security policies. Every year, the audit office conducts regular inspections. If any deficiencies are found during the inspection, the inspected unit will be immediately required to propose improvement measures and regularly track improvement results to reduce internal cyber security risks. Also, reporting the result of cyber security management and implementation to the board of directors every year.

(2) Corporate cyber security risk management and continuous improvement framework



(3) Specific management plan for information security

Account and authority management	<ul style="list-style-type: none"> • Personnel authority and account management, examination and regular inventory check • Fileserver manages the content according to personnel authority, and each system accesses corresponding functions according to authority
Endpoint security	<ul style="list-style-type: none"> • EDR endpoint detection and response software is installed in the important hosts and through the analysis of the producer to prevent and block malicious attacks • Installation of antivirus software on client devices for protection against viruses and malicious programs.
Internet security	<ul style="list-style-type: none"> • Establish internal firewall, external firewall and OT firewall to conduct the protection on each division and each layer • Adopt SEG protection and email spam filters to block malicious emails containing viruses or phishing
Monitoring and maintenance of cybersecurity	<ul style="list-style-type: none"> • Set up monitoring systems, web accessibility to warn and report to the IT personnel • Establish VMware cluster systems to keep services from being interrupted • Regular backup and remote backup and conduct regular disaster recovery exercise
Education training and advocacy	<ul style="list-style-type: none"> • Conduct regular social engineering drill every year, and conduct education training on the employees who have a weak sense of cyber security.

(4) The Resource Devoted to Cyber Security Management:

The Company uses current news for cyber security advocacy. To improve cyber information, an appropriate budget is prepared every year to strengthen cyber security protection and prevent today's cyber security threats.

- (ii) List any losses suffered by the Company in the most recent year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

vii. Important contracts: (the contracts that would affect shareholders' equity):

Agreement	Counterparty	Period	Major contents	Restrictions
Long-term loan	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.	From 25 December 2017 to 24 December 2024	Real-estate secured loan	None

VI. Financial Status

i. Condensed Balance Sheet, Integrated Income Statement, CPA Name and Audit Opinions of the recent five years:

(i) Information on Condensed Balance Sheet and Integrated Income Statement

Condensed Balance Sheet (Consolidated)

Unit: NT\$ (in thousands)

Year Item		Financial Information in the last five years					Consolidated Financial Information by March 31 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		3,149,379	2,868,686	2,721,596	2,950,299	3,844,404	3,687,661
Property, plant, and equipment		1,046,232	1,219,819	1,191,364	1,142,919	1,099,984	1,085,839
Intangible assets		30,483	22,944	14,831	12,093	10,865	9,842
Other assets		530,207	663,610	683,880	817,977	589,396	623,507
Total assets		4,756,301	4,775,059	4,611,671	4,923,288	5,544,649	5,406,849
Current liabilities	Before distribution	2,186,299	2,495,253	1,480,241	1,796,823	2,635,232	2,543,709
	After distribution	2,186,299	2,495,253	1,480,241	1,796,823	Note 2	Note 2
Non-current liabilities		838,010	716,169	1,542,069	1,267,706	872,610	779,816
Total liabilities	Before distribution	3,024,309	3,211,422	3,022,310	3,064,529	3,507,842	3,323,525
	After distribution	3,024,309	3,211,422	3,022,310	3,064,529	Note 2	Note 2
Equity attributable to the parent company		1,725,229	1,560,127	1,587,198	1,857,175	2,035,740	2,082,375
Capital		1,273,592	1,273,592	1,273,592	1,273,592	1,273,592	1,273,592
Capital surplus		369,310	369,527	369,437	370,396	373,076	373,076
Retained earnings	Before distribution	439,764	252,237	232,044	354,370	727,827	767,437
	After distribution	439,764	252,237	232,044	354,370	Note 2	Note 2
Other equities		(357,437)	(335,229)	(281,724)	(135,032)	(332,604)	(325,579)
Treasury stocks		0	0	(6,151)	(6,151)	(6,151)	(6,151)
Non-controlling interest		6,763	3,510	2,163	1,584	1,067	949
Total equity	Before distribution	1,731,992	1,563,637	1,589,361	1,858,759	2,036,807	2,083,324
	After distribution	1,731,992	1,563,637	1,589,361	1,858,759	Note 2	Note 2

Note 1: The financial information for the first quarter of 2023 has been audited by CPAs.

Note 2: The amount of earnings distribution has not yet been resolved by the shareholders' meeting, therefore the amount after distribution is not disclosed.

Condensed Income Statement (Consolidated)

Unit: NT\$ (in thousands)

Item \ Year	2018	2019	2020	2021	2022	Consolidated Financial Information by March 31 2023 (Note 1)
Revenue	3,832,372	3,636,647	3,801,959	4,040,354	4,834,189	1,246,586
Gross profit	611,166	498,231	579,260	625,522	838,689	156,040
Operating income	12,329	(113,625)	16,011	56,784	257,365	20,064
Non-operating income and expense	20,145	(63,559)	(36,881)	1,954	71,492	13,168
Net income before tax	32,474	(177,184)	(20,870)	58,738	328,857	33,232
Net income from continuing operations	4,468	(191,387)	(13,831)	44,127	262,060	39,492
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss)	4,468	(191,387)	(13,831)	44,127	262,060	39,492
Other comprehensive income (Net of tax)	(18,646)	23,679	45,585	224,312	(86,692)	7,025
Total comprehensive income (loss)	(14,178)	(167,708)	31,754	268,439	175,368	46,517
Net income attributable to shareholders of the parent company	6,815	(188,856)	(12,273)	44,706	262,577	39,610
Net income attributable to non-controlling interest	(2,347)	(2,531)	(1,558)	(579)	(517)	(118)
Comprehensive income attributable to shareholders of the parent company	(11,726)	(165,319)	33,312	269,018	175,885	46,635
Comprehensive income attributable to non-controlling interest	(2,452)	(2,389)	(1,558)	(579)	(517)	(118)
EPS	0.05	(1.48)	(0.10)	0.35	2.07	0.31

Note 1: The financial information for the first quarter of 2023 has been reviewed by CPAs.

Condensed Balance Sheet (Parent Only)

Unit: NT\$ (in thousands)

Year		Financial Information in the last five years				
		2018	2019	2020	2021	2022
Item						
Current assets		3,049,600	3,052,627	2,730,708	2,882,688	3,578,005
Property, plant, and equipment		472,748	529,507	497,805	496,121	505,165
Intangible assets		19,651	14,148	7,568	6,342	6,714
Other assets		959,416	915,321	1,078,372	1,241,777	1,053,258
Total assets		4,501,415	4,511,603	4,314,453	4,626,928	5,143,142
Current Liabilities	Before distribution	1,938,072	2,243,348	1,187,342	1,508,139	2,247,440
	After distribution	1,938,072	2,243,348	1,187,342	1,508,139	Note 1
Non-current liabilities		838,114	708,128	1,539,913	1,261,614	859,962
Total liabilities	Before distribution	2,776,186	2,951,476	2,727,255	2,769,753	3,107,402
	After distribution	2,776,186	2,951,476	2,727,255	2,769,753	Note 1
Equity attributable to the shareholders of the parent company		1,725,229	1,560,127	1,587,198	1,857,175	2,035,740
Capital		1,273,592	1,273,592	1,273,592	1,273,592	1,273,592
Capital surplus		369,310	369,527	369,437	370,396	373,076
Retained earnings	Before distribution	439,764	252,237	232,044	354,370	727,827
	After distribution	439,764	252,237	232,044	354,370	Note 1
Other equities		(357,437)	(335,229)	(281,724)	(135,032)	(332,604)
Treasury stock		0	0	(6,151)	(6,151)	(6,151)
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,725,229	1,560,127	1,587,198	1,857,175	2,035,740
	After distribution	1,725,229	1,560,127	1,587,198	1,857,175	Note 1

Note 1: The amount of earnings distribution has not yet been resolved by the shareholders' meeting, therefore the amount after distribution is not disclosed.

Condensed Income Statement (Parent Only)

Unit: NT\$ (in thousands)

Item \ Year	2018	2019	2020	2021	2022
Revenue	4,238,982	4,187,176	4,346,584	4,647,604	5,627,188
Gross profit	451,667	488,936	467,361	474,956	556,812
Operating income	13,671	37,388	47,217	65,840	127,552
Non-operating income and expense	15,478	(216,807)	(70,756)	(15,033)	195,748
Net income before tax	29,149	(179,419)	(23,539)	50,807	323,300
Net income from continuing operations	29,149	(179,419)	(23,539)	50,807	323,300
Loss from discontinued operations	0	0	0	0	0
Net income (loss)	6,815	(188,856)	(12,273)	44,706	262,577
Other comprehensive income (Net of tax)	(18,541)	23,537	45,585	224,312	(86,692)
Total comprehensive income (loss)	(11,726)	(165,319)	33,312	269,018	175,885
Net income attributable to the shareholders of the parent company	(11,726)	(165,319)	33,312	269,018	175,885
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to the shareholders of the parent company	(11,726)	(165,319)	33,312	269,018	175,885
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
EPS	0.05	(1.48)	(0.10)	0.35	2.07

(ii) CPAs' Names and Audit Opinions of the Recent Five Years:

Year	CPAs	Audit Opinions
2018	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2019	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2020	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2021	CHEN, MING HUNG, TU, CHING-YUAN	Unqualified Opinion
2022	LO, WEN-CHEN, HUANG, TZU PING	Unqualified Opinion

ii. Financial Analysis of the Recent Five Years:

(i) Financial Analysis

Financial Analysis (IFRS Consolidated)

Item \ Year		Financial Information in the last five years					
		2018	2019	2020	2021	2022	Consolidated Financial Information by March 31 2023 (Reviewed by CPAs)
Financial Structure (%)	Debt ratio	63.58	67.25	65.53	62.24	63.26	61.46
	Long-term capital to property, plant, and equipment ratio	244.99	175.23	249.32	259.16	249.18	248.82
Solvency (%)	Current ratio	144.05	114.96	183.86	164.19	145.88	144.97
	Quick ratio	94.71	75.64	115.23	76.26	66.66	62.27
	Times interest earned ratio	2.33	(5.66)	0.28	3.18	10.72	4.56
Operating Ability	Accounts receivable turnover (times)	5.64	5.37	5.73	5.69	6.11	6.15
	Average collection period	64.71	67.97	63.69	64.14	59.73	59.34
	Inventory turnover (times)	3.43	3.14	3.33	2.70	2.22	2.11
	Accounts payable turnover (times)	4.57	4.94	5.27	5.01	4.94	4.74
	Average days in sales	106.41	116.24	109.60	135.18	164.41	172.98
	Property, plant, equipment turnover (times)	3.68	3.10	2.97	3.28	4.07	4.30
	Total assets turnover (times)	0.82	0.76	0.81	0.85	0.92	0.91
Profitability	Return on assets (%)	0.51	(3.56)	0.20	1.37	5.52	0.85
	Return on equity (%)	0.26	(11.65)	(0.87)	2.56	13.46	1.91
	Profit before-tax to capital ratio (%)	2.54	(13.91)	(1.63)	4.61	25.82	2.60
	Profit ratio (%)	0.11	(5.26)	(0.36)	1.09	5.42	3.16
	EPS (NT\$)	0.05	(1.48)	(0.10)	0.35	2.07	0.31
Cash Flow	Cash flow ratio (%)	Note 1	1.30	12.29	Note 1	11.16	1.98
	Cash flow adequacy ratio (%)	1.58	0.65	0.41	0.03	0.07	0.14
	Cash reinvestment ratio (%)	Note 1	0.80	3.61	Note 1	5.85	1.01
Leverage	Operating leverage	249.08	Note 2	189.88	57.79	15.81	24.32
	Financial leverage	Note 1	81	Note 1	1.89	1.15	1.86

Please state the reasons for any changes exceeding 20% in financial ratio for the past 2 years:

1. Times interest earned ratio: The increase in profitability during the current year has resulted in a higher times interest earned ratio compared to the previous year.
2. Average days in sales: Due to the impact of the lengthening of the electronic materials supply chain, the inventory turnover ratio has decreased, leading to an increase in the number of days sales outstanding compared to the previous year.
3. Property, plant, equipment turnover (times): With the rapid development of 5G and the acceleration of related network infrastructure, there has been a significant increase in business opportunities in the telecommunications market. This has led to an increased demand for power products. Additionally, the depreciation of the New Taiwan Dollar has had an impact. As a result, our revenue for this year has increased compared to the previous year, leading to a higher property, plant, equipment turnover ratio.
4. Return on assets(%): Due to the increase in profitability this year, the return on assets has also risen compared to the

previous year.

5. Return on equity: Due to the increase in profitability and retained earnings this year, the return on equity has also risen compared to the previous year.
6. Profit before-tax to capital ratio(%): Due to the increase in profitability this year, the profit before-tax to capital ratio has increased compared to the previous year.
7. Profit ratio(%): The increased shipment volume of high-power power supply products used in 5G network infrastructure, coupled with improved capacity utilization and gross profit margin, along with effective control of operating expenses, has resulted in an increase in net profit ratio compared to the previous year.
8. EPS (NT\$): Due to increased profitability this year, earnings per share have also increased compared to the previous year.
9. Cash flow ratio: Although long-term borrowings due within one year or one operating cycle and accounts payable and advances from customers have increased, resulting in an increase in current liabilities, the improved profitability in this year has led to net inflows of cash from operating activities. As a result, the cash flow ratio for this year has increased compared to the previous year.
10. Cash flow adequacy ratio: The increased profitability in the current year has resulted in net inflows of cash from operating activities. However, due to the increase in inventory both in the current year and the previous year, the current year's cash flow adequacy ratio is lower compared to previous years, but higher than the previous year.
11. Cash reinvestment ratio: The increased profitability in the current year has led to net inflows of cash from operating activities, resulting in a higher cash flow reinvestment ratio compared to the previous year.
12. Operating leverage: Due to the increased operating profit in the current year, the degree of operating leverage has decreased.
13. Financial leverage: Although there has been a slight increase in financial costs in the current year, the degree of financial leverage has decreased due to the increased operating profit.

Note 1: Since the ratio is negative, it is not intended to be disclosed.

Note 2: Since the operating profit is negative (loss), it is not intended to be disclosed.

Financial Analysis (IFRS Parent Only)

Item		Year	Financial Information in the last five years				
			2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio		61.67	65.42	63.21	59.86	60.42
	Long-term capital to property, plant, and equipment ratio		542.22	426.29	627.25	623.50	569.89
Solvency (%)	Current ratio		157.35	136.07	229.98	191.14	159.20
	Quick ratio		127.13	112.33	180.74	129.32	95.48
	Times interest earned ratio		2.20	(5.84)	0.18	2.94	10.92
Operating Ability	Accounts receivable turnover (times)		4.19	3.64	3.72	3.84	4.54
	Average collection period		87.00	100	98	95	80
	Inventory turnover (times)		7.71	6.84	7.40	6.09	4.65
	Accounts payable turnover (times)		7.94	8.67	9.10	8.73	9.21
	Average days in sales		47	53	49	60	79
	Property, plant, equipment turnover (times)		9.10	8.33	8.43	9.31	11.16
	Total assets turnover (times)		0.97	0.93	0.98	1.04	1.15
Profitability	Return on assets (%)		0.60	(3.73)	0.25	1.47	5.91
	Return on equity (%)		0.40	(11.50)	(0.78)	2.60	13.49
	Profit before-tax to capital ratio (%)		2.29	(14.09)	(1.85)	3.99	25.38
	Profit ratio (%)		0.16	(4.51)	(0.28)	0.96	4.67
	EPS (NT\$)		0.05	(1.48)	(0.10)	0.35	2.07
Cash Flow	Cash flow ratio (%)		Note 5	Note 5	6.46	(19.40)	7.80
	Cash flow adequacy ratio (%)		83.77	54.15	15.81	(38.05)	(25.73)
	Cash reinvestment ratio (%)		Note 5	Note 5	1.92	(7.21)	4.49
Leverage	Operating leverage		182.57	75.51	60.12	46.24	30.70
	Financial leverage		Note 6	3.35	2.57	1.66	1.34
Please state the reasons for any changes exceeding 20% in financial ratio for the past 2 years:							
<ol style="list-style-type: none"> Quick ratio: The quick ratio has decreased compared to the previous year due to the increase in accounts receivable relative to the increase in revenue, as well as the increase in inventory caused by the length and shortage of electronic materials in the supply chain. Additionally, the increase in long-term borrowings due within one year has led to an increase in current liabilities. Times interest earned ratio: Due to the increase in profit this year, the times interest earned ratio increased compared with the same quarter last year. Inventory turnover (times): The inventory turnover rate has decreased due to the increase in inventory caused by the length and shortage of electronic materials in the supply chain. Return on assets (%): Due to the difference in gross profit of product mix, the increase in profitability of power supply and information and communication products resulted in an increase in return on assets compared with the previous year. Return on assets(%): The increase in profitability for the current year has resulted in a higher return on assets compared to the previous year. Return on equity(%): The increase in profitability and retained earnings for the current year has led to a higher return on equity compared to the previous year. Profit before-tax to capital ratio(%): The increase in profitability for the current year has resulted in a higher profit before-tax to capital ratio compared to the previous year. Profit ratio(%): The increase in shipment volume of high-power power supply products used in 5G network infrastructure has boosted capacity utilization and gross profit margin. Coupled with effective control of operating expenses, this has led to a higher net profit ratio compared to the previous year. EPS (NT\$): Due to an increase in profits for the current year, the earnings per share have also increased compared to the previous year. 							

10. Cash flow ratio(%): Although there has been an increase in long-term loans due within one year or one operating cycle, as well as an increase in accounts payable and prepaid income, resulting in an increase in current liabilities, the improved profitability for the current year has led to net inflows in operating cash flows. As a result, the cash flow ratio for the current year has increased compared to the previous year.
11. Cash flow adequacy ratio(%): Due to an increase in inventory for the current year, the operating cash flow has turned into a net inflow. However, the significant increase in profitability for the current year has resulted in a higher cash flow adequacy ratio compared to the previous year.
12. Cash reinvestment ratio (%): The increase in profitability for the current year has led to a net inflow in operating cash flow, which in turn has resulted in a higher cash flow reinvestment ratio compared to the previous year.
13. Operating leverage: Due to the increase in operating profit for the current year, the degree of operating leverage has decreased.

Note 1: The calculation formulas used for the financial analysis are as follows:

1. Financial Structure

- (1) Debt ratio = total liabilities / total assets
- (2) Long-term fund to property, plant and equipment ratio = (shareholders' equity + noncurrent liabilities) / net property, plant, and equipment, right-of-use assets

2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventories – prepaid expenses) / current liabilities
- (3) Times interest earned = earnings before interest and taxes / interest expenses

3. Operating Ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection period = 365 / receivables turnover rate
- (3) Inventory turnover = cost of sales / average inventory
- (4) Accounts payable (including accounts payable and notes payable arising from business operations) turnover (times) = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days in sale = 365 / inventory turnover
- (6) Property, plant, and equipment turnover = operating revenue / average net property, plant, and equipment
- (7) Total assets turnover = operating revenue / average total assets

4. Profitability

- (1) Return on total assets = (net income + interest expenses * (1 – effective tax rate)) / average total assets
- (2) Return on equity = net income / average equity
- (3) Pre-tax income to paid-in capital ratio = income before tax / paid-in capital
- (4) Profit ratio = net income / operating revenue
- (5) Earnings per share = (net profit after tax – dividends on preferred shares) / weighted average number of issued shares (Note 2)

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = 5-year sum of cash from operations / 5-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash reinvestment ratio = (cash provided by operating activities – cash dividends) / (gross property, plant, and equipment + long-term investments + other noncurrent assets + working capital) (Note3)

6. Leverage

- (1) Operating leverage = (operating revenue – variable cost) / income from operations (Note 4)

(2) Financial leverage = income from operations / (income from operations – interest expenses)

Note 2: When the above formula for calculating earnings per share is used during measurement, pay attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered when calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are nonconvertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of noncumulative preferred shares, if there is net profit after tax, dividends on preferred shares shall be subtracted from the net profit after tax; if there is a loss, then no adjustment must be made.

Note 3: Pay attention to the following matters when performing cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures mean the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculations.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant, and equipment value means the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 4: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, pay attention to their reasonableness and to maintaining consistency.

Note 5: Since the ratio is negative, it is not intended to be disclosed.

Note 6: Since the operating profit is negative (loss), it is not intended to be disclosed.

iii. Audit Committee's Review Reports on 2022 Financial Statements

Universal Microelectronics Co., Ltd. Audit Committee's Review Report

The board of directors has prepared the Company's 2022 business report, financial statements (including parent company only financial statements and consolidated financial statements) and profit distribution proposal. The CPA firm of EY Taiwan, represented by CPAs LO, WEN-CHEN and HUANG, TZU-PING, was retained to audit the Financial Statements and has issued an audit report relating to the financial statements. The business report, financial statements, and proposal for the distribution of profit have been reviewed and determined to be correct and accurate by the Audit Committee. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

UNIVERSAL MICROELECTRONICS CO., LTD.
2023 Annual Shareholders' Meeting

Universal Microelectronics Co., Ltd.
Convenor of the Audit Committee: TSOU, YEN-CHUNG

16 March 2023

- iv. The Company's consolidated financial statement for the most recent year certified by CPAs: please refer to Appendix 1
- v. The Company's parent company only financial statement for the most recent year certified by CPAs: please refer to Appendix 2
- vi. In the most recent year and the date of publication of the annual report of the company and its affiliates, if the company experiences financial difficulties, the impact on the company's financial position shall be stated: None.

VII. Review of financial conditions, financial performance, and risk management

i. Financial Status

The main reasons for any material change in the Company's assets, liabilities, or equity during the past 2 years, and describe the effect thereof.

Analysis of Financial Status

Unit: NT\$ (in thousands)

Item	Year	2022	2021	Difference	
				Amount (NT\$)	%
Current Assets		3,844,404	2,950,299	894,105	30.31
Fixed Assets		1,700,245	1,972,989	(272,744)	(13.82)
Total Assets		5,544,649	4,923,288	621,361	12.62
Current Liabilities		2,635,232	1,796,823	838,409	46.66
Long-term Liabilities		872,610	1,267,706	(395,096)	(31.17)
Total Liabilities		3,507,842	3,064,529	443,313	14.47
Capital stock		1,273,592	1,273,592	0	0.00
Capital surplus		373,076	370,396	2,680	0.72
Retained Earnings		727,827	354,370	373,457	105.39
Treasury Shares		(6,151)	(6,151)	0	0.00
Other Equity		(332,604)	(135,032)	(197,572)	146.31
Non-controlling interests		1,067	1,584	(517)	(32.64)
Total Equity		2,036,807	1,858,759	178,048	9.58

Analysis of variation: (An increase or decrease of 20% or more and a change in an amount exceeding 10 million NT dollars in two consecutive periods):

1. The increase in current assets: This year, an increase in operating revenue and the impact of the length of the electronic materials supply chain resulted in an increase in accounts receivable and inventory. Therefore, current assets have increased compared to the previous year.
2. The increase in current liabilities: Due to an increase in outstanding orders and an increase in inventory, accounts payable and deferred revenue have increased. Additionally, an increase in long-term borrowings maturing within one year or one operating cycle has led to an increase in current liabilities compared to the previous year.
3. The increase in long-term liabilities: This year, the decrease in long-term borrowings exceeding one year or one operating cycle has caused a reduction in long-term liabilities.
4. The increase in retained earnings: This year, the Company's improved profitability and financial assets measured at fair value through other comprehensive income resulted in the transfer from other equity to retained earnings. As a result, retained earnings have increased compared to the previous year.
5. The decrease in other equity: Based on the explanation provided in the previous fourth point, as a result, another equity has decreased compared to the previous year.

ii. Financial Performance

- (i) The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor.

Unit: NT\$ (in thousands)

Item \ Year	2022	2021	Increased (Decreased) Amount	Difference
				(%)
Operating revenue	4,834,189	4,040,354	793,835	19.65
Operating cost	3,995,500	3,414,832	580,668	17.00
Gross profit	838,689	625,522	213,167	34.08
Operating expenses	581,324	568,738	12,586	2.21
Operating income (loss)	257,365	56,784	200,581	353.24
Non-operating income and expenses	71,492	1,954	69,538	3,558.75
Pre-tax income (loss)	328,857	58,738	270,119	459.87
Income tax benefit (expense)	(66,797)	(14,611)	(52,186)	(357.17)
Net income (loss) from continuing operations	262,060	44,127	217,933	493.88
<p>Analysis of variation: (An increase or decrease of 20% or more and a change in an amount exceeding 10 million NT dollars in two consecutive periods):</p> <ol style="list-style-type: none"> 1. The increase in gross profit: The increased shipment of high-power power supply products used in 5G network infrastructure, along with improved capacity utilization and gross profit margin, combined with the impact of New Taiwan dollar depreciation, has resulted in an increase in gross profit compared to the previous year. 2. The increase in operating income: Due to the increase in operating gross profit and effective control of operating expenses, the operating income for this year has increased compared to the previous year. 3. The increase in non-operating income and expenses: Due to significant fluctuations in foreign currency exchange rates in 2022, the group's net foreign exchange gains/losses have shifted from losses to gains. As a result, non-operating income and expenses have increased compared to the same period last year. 4. The increase in pre-tax income: Due to the increase in operating net profit and significant fluctuations in foreign currency exchange rates in 2022, resulting in foreign exchange gains, the pre-tax net income for this year has increased compared to the same period last year. 5. The increase in income tax expense: Due to the increase in pre-tax net profit for this year compared to the previous year, the recognized income tax expense has also increased compared to the same period last year. 6. The increase in net income from continuing operations: The increase in profitability for this year has led to an increase in net income from continuing operations compared to the previous year. 				

- (ii) The sales volume forecast and the basis thereof, and its possible effect on the Company's financial operations as well as measures to be taken in response: None.

iii. Cash flow

(i) Cash flow analysis for the current year

Item \ Year	31 December 2022	31 December 2021	Variance (%)
Cash flow ratio (%)	11.16	-17.52	163.70
Cash flow adequacy ratio (%)	0.07	0.03	133.33
Cash reinvestment ratio (%)	5.85	-6.18	194.66
Analysis of changes in financial ratios:			
1. The increase in cash flow ratio: Although there was an increase in long-term borrowings maturing within one year or one operating cycle, accounts payable, and deferred revenue, leading to an increase in current liabilities, the improvement in profitability for this year resulted in net cash inflows from operating activities, leading to an increase in the cash flow ratio compared to the previous year.			
2. The increase in cash flow adequacy ratio: The decrease in net cash inflows from operating activities is mainly due to the increase in working capital, leading to a decrease in the cash flow adequacy ratio for this year compared to the same period last year.			
3. The decrease in cash reinvestment ratio: The decrease in net cash inflows from operating activities has resulted in a decrease in the cash reinvestment ratio for this year compared to the same period last year.			

(ii) Cash flow analysis for the coming year

Unit: NT\$ (in thousands)					
Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
627,056	230,469	38,617	818,908	-	-
1. Analysis of change in cash flow in the current year:					
(1) Net cash flow from operating activities:					
The expected net cash inflows from operating activities are mainly due to the assessment that the supply chain conditions, particularly in terms of the availability of components and materials, will improve after the pandemic. This improvement is expected to drive an increase in the group's shipments and lead to improved profitability.					
(2) Estimated annual cash outflows:					
Mainly due to the repayment of medium to long-term loans.					
2. Estimated remedies for cash shortfall and liquidity analysis: None.					

iv. The effect upon financial operations of any major capital expenditures during the most recent year

- (1) Major capital expenditure and the source of capital thereof: None.
- (2) The expected potential benefits of major capital expenditures: None.

v. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year:

All equity method investments made by the Company are aimed at long-term strategic purposes. If the Company evaluates the strategic values of an investment is no longer significant, it will be viewed as a financial investment. The Company's investment policies are mainly focused on enhancing the Company's production capacity, key technology, marketing, etc. Furthermore, the division of labor is based on each plant's advantages, with the primary goal of creating the Company's maximum benefits. So far, each subsidiary's business content is mainly paying attention to assisting the parent company. As a result, their major operating revenues come from the parent company. All revenue recognition of the Company's subsidiaries will comply with the guidelines of the OECD and stipulate a suitable transfer

pricing policy. In the future, the Company will continue to adhere to the principle of long-term strategic investment and diligently evaluate investment plans.

vi. Analysis of risk management

(i) Effects of changes in Interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

1. Interest rates: The Company always pays attention to the trend of bank loan interest rates, and makes the most suitable arrangement with the consideration of the Company's short and mid-long-term capital.
2. Foreign exchange rates: Since the Company mostly quotes sales in US dollars, exchange rate fluctuations mainly affect the level of the holding position for the US dollars. Therefore, the Company tends to make payments to suppliers in US dollars, while paying attention to the impact of international trade risks on the exchange rate fluctuations to reduce the Company's exposure to foreign exchange risks.
3. Inflation: The Company always pays attention to market price trends and adopt flexible strategies to reduce the impact of inflation on the Company.

(ii) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company has not engaged in high-risk or highly leveraged investments. Moreover, the endorsements, guarantees and derivatives transactions have complied with provisions of the Company's "Regulations Governing Lending Funds to Others", "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees" and "Handling Procedure to Engage in the Transaction of Derivative Products".

(iii) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company's research and development philosophy is to obtain key technology through strategic alliance and establish a product technology information center to integrate relevant information of all the products for the use of research and development reference sources. Furthermore, the Company has taken the initiatives in the market through Design-in. By closely cooperating with international leading telecommunication companies, speeding up the product design stage from technical assessment to product concept. This research and development philosophy enables the Company to design products that meet customers' needs. Please refer to the previous operating highlight for the Company's future research and development plan. The projected research and development expenses for 2023 are estimated to be NT\$245 million.

(iv) Effect on the Company's financial operations of important policies adopted and changes in the regulations at home and abroad, and measures to be taken in response:

1. The Company always pay attention to the changes in important policies and regulations at home and abroad and evaluates their impact on the Company. For instance, consistently observing the changes in the US-China trade war and making arrangements and adjustments to the production capacity of each domestic and overseas plant. Moreover, the rise in China's basic wages has resulted in an increase in operating costs, the Company has improved its automated process to lower labor costs. In addition, the Company has complied with the implementation of RoHS in EU countries. The Company's manufacturing equipment, process, inspection standards, and control points have abided by the regulations and laws to produce green products.
2. For the revision to the Company Act and the Securities and Exchange Act, the Company always keep an eye on the changes in important policies and laws at home and abroad and evaluates their impacts on the Company in order to take adequate countermeasures.

3. The Company has Complied with the IFRS. As further IFRS-related standards are updated, the Company will establish a relevant operating system to respond to the changes in regulations and laws.
- (v) Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:
1. The Company's business, research and development and finance departments always pay attention to the changes in the trend of the market, science and technology to obtain relevant techniques. Moreover, the Company has been continuously devoting efforts to research and develop new products, enhancing efficiency and strengthening its competitive edge. Also, the Company has been proactively developing new overseas markets to obtain more orders with good quality and keep abreast of the development trend of science and industry. In addition, the Company adjusts its short and mid-long-term development strategies in response to the changes in science and technology and reduces their impacts on the Company's business and finance to realize sustainable management.
 2. Cyber security risks
 - ① **Endpoint security**
 The Company's important information systems have been installed EDR (Endpoint Detection and Response) Agent for monitoring abnormalities. Moreover, the Company has also adopted the outsourcing service of MDR (Managed Detection and Response), which includes cyber security professionals providing risk analysis and judgment and preventing malicious programs from causing further cyber security incidents. Furthermore, the Company's information systems have regularly implemented vulnerability scanning. For the high-risk vulnerabilities, the Company will try to fix them as much as possible. However, the Company will use Server Farm for limited access if the vulnerabilities are unable to be fixed.
 - ② **Cyber security**
 Conduct network segmentation by using physical firewalls to segregate internal and external Internet from OT (production lines). The Server Farm, on the other hand, utilizes virtual firewalls for network segmentation. Furthermore, the Company has introduced NAC (Network Access Control) for controlling the internal network by connecting NAC with the internal network and eliminating the chance of devices from other companies connecting to the Company's Internet.
 The Company has set up a dedicated department to monitor cyber security risks. Reduce the impacts of cyber security risks on the Company's business and finance with careful and active approaches.
- (vi) The impact of changes in the corporate image on corporate risk management, and the Company's response measures:
 The Company and its subsidiaries have been devoting themselves to corporate social responsibility, charity and educational activities, etc. for a long time. As a result, the Company has maintained a good corporate image. If there is an event that might affect the Company's image, relevant units will respond promptly to deal with it.
- (vii) Expected benefits from, risks relating to and response to merger and acquisition plans:
 There was no merger and acquisition plan in the most recent fiscal year and up to the annual report publication date.
- (viii) Expected benefits from, risks relating to and response to factory expansion plans:
 Before the factory expansion, the Company will considerate the Company overall

production capacity allocation in advance and evaluation according to the future development of products as well as customer needs.

- (ix) Risks relating to and responding to excessive concentration of purchasing sources and excessive customer concentration:

The Company has diversified purchasing sources and product sales. Therefore, the Company has not excessively concentrated on specific suppliers and customers.

- (x) Effects of, risks relating to and response to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%:

There was no such event that occurred in the Company in the most recent fiscal year and up to the annual report publication date.

- (xi) Effects of, risks relating to and responding to the changes in management rights:

The Company's management rights have not been changed.

- (xii) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% and/or any company or companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

- (xiii) Other major risks: None.

vii. Other important matters: None.

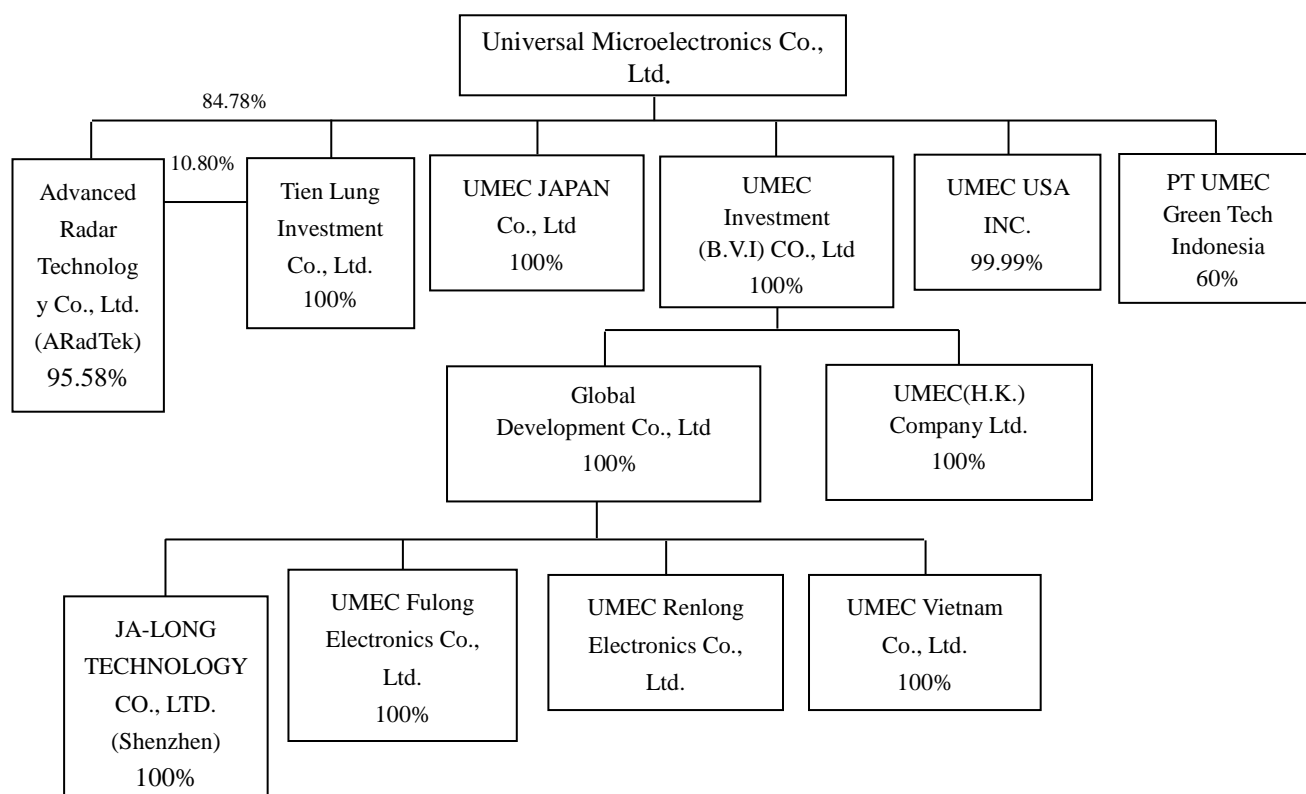
VIII. Special Disclosure

i. Information on the Company's affiliates

(i) Consolidated business report of affiliates

1. Overview of affiliated companies

(1) Affiliated companies organizational chart (31 December 2022)



(2) Information on the Company's affiliates

Company name	Date of Incorporation	Address	Paid-in capital	Main business content
Universal Microelectronics Co., Ltd.	18 February 1984	3,27TH RD., Taichung Industrial Park. Taichung, Taiwan	NT\$1,273,592 thousand	Manufacturing, processing and domestic and overseas sales of electromagnetic parts switch mode power supply, information and communication product, optoelectronic product, optical communication product and other electronic parts
UMEC Investment(B.V.I) CO., Ltd.	11 April 1999	Vistra Corporate Services Centre. Wickhams Cay II, Road Town Tortola, VG1110, BRITISH VIRGIN ISLANDS	US\$30,398 thousand	Investment and holding company
Tien Lung Investment Co., Ltd.	18 August 2003	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City	NT\$88,000 thousand	Investment company
UMEC (H.K.) Company Ltd.	25 May 1993	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	HK\$1,782 thousand	Established in Hongkong to handle export shipping affairs of China.
UMEC USA Inc.	22 February 2000	1921 Ellen St #7 Sturgis, SD 57785, USA	US\$500 thousand	R&D and sales of electromagnetic parts

Company name	Date of Incorporation	Address	Paid-in capital	Main business content
Global Development Co., Ltd	9 October 2000	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205 Cayman Islands.	US\$30,652 thousand	Investment and holding company
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	16 November 2000	Baoan Tong Fuyu Industrial Park Shenzhen, Fuyong Town, Shenzhen	US\$17,650 thousand	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board
UMEC Fulong Electronics Co., Ltd. (Longyan)	28 August 2010	No.1 Fuxiang Road, Wuping Industrial Park, Wuping Country, Longyan City, Fujian, China	US\$3,000 thousand	Manufacturing and sales of switch mode power supply and transformer
UMEC Vietnam Co., Ltd.	3 February 2009	Lot B(B1), Quang Chau Industrial Park, Bac Giang Province, Vietnam	US\$9,004 thousand	Manufacturing and sales of switch mode power supply, transformer and circuit board
UMEC Renlong Electronics Co., Ltd. (Meizhou)	28 May 2012	Industrial Area, Wuhua Country, Meizhou City, Guangdong Province, China	US\$600 thousand	Manufacturing and sales of switch mode power supply and transformer
Advanced Radar Technology Co., Ltd. (ARadTek)	2 November 2006	Rm. 2, 8F., Dayou Rd., Taoyuan Dist., Taoyuan City	NT\$50,200 thousand	Manufacturing and sales of electronic parts and components
UMEC Japan Co., Ltd.	1 October 2013	5F YS 1st Bld. 3-5-3 Osaki, Shinagawa-Ku, Tokyo, 141-0032 JAPAN	JPY6,000 thousand	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board
PT UMEC Green Tech Indonesia	31 December 2017	Ketapang Business Centre, Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	US\$191 thousand	Sales of electronic parts and components

(3) The industries covered by the business operated by the affiliates overall:

- ① The Company's main business contents are the manufacturing and sales of magnetic parts and components, power supplies, information and communications products, and optoelectronic products.
- ② UMEC Investment (B.V.I) Co., Ltd. is a holding company established in the British Virgin Islands and mainly runs an overseas investment business.
- ③ Tien Lung Investment Co., Ltd. is an investment company.
- ④ UMEC (H.K.) Company Ltd. is established in Hongkong and mainly assists in handling export shipping affairs for China.
- ⑤ UMEC USA Inc. is a subsidiary invested and established by the Company to expand its market in the U.S. and Canada, and it mainly runs the business of the R&D and sales of electromagnetic parts and components.
- ⑥ Global Development Co., Ltd is a holding company established in the Cayman Islands and it mainly runs the business of overseas investment business.
- ⑦ JA-LONG TECHNOLOGY CO., LTD. (Shenzhen) is established in Shenzhen City in Guangdong Province, China. The Company mainly runs the business of manufacturing electronic magnetic parts, power supplies, information and communication products, optical communication products and optoelectronics for its affiliates.
- ⑧ UMEC Fulong Electronics Co., Ltd. (Longyan) was established in Longyan City of Fujian, China and it mainly runs the business of manufacturing electromagnetic parts and power supplies for its affiliates.
- ⑨ UMEC VIETNAM Co., Ltd. was established in Bac Giang Province, Vietnam, and it mainly runs the business of manufacturing electromagnetic parts, power supplies,

information and communications products for its affiliates.

- ⑩ UMEC Renlong Electronics Co., Ltd. (Meizhou) was established in Meizhou City of Guangdong Province, China, and it mainly runs the business of manufacturing electromagnetic parts and power supplies for its affiliates.
- ⑪ Advanced Radar Technology Co., Ltd. (ARadTek) was established in Taiwan, and it mainly runs the business of manufacturing and selling electronic parts and components.
- ⑫ UMEC Japan Co., Ltd. was established in Tokyo, Japan, and it mainly runs the business of promoting and selling switch mode power supplies and transformers and manufacturing and assembly of the circuit board.
- ⑬ PT UMEC Green Tech Indonesia was established in Indonesia and mainly runs the business of promoting and selling electronic parts and components.

(4) Information on directors, supervisors and general managers of affiliates

Company name	Title	Name or representative	Shareholding	
			Stock (Investment amount)	%
Universal Microelectronics Co., Ltd.	Chairman and general manager	OU, CHENG-MING	34,870,964	27.38
	Director	HSU, KUAN-CHUN	1,748,177	1.37
	Director	LIEN, TSUNG-FU	798,146	0.63
	Director	TSAI, KUO-CHI	700,929	0.55
	Director	YANG, SHANG-JU	-	-
	Director	Representative of Zhao Zan Investment Co., Ltd., OU, JEN-CHIEH	687,000	0.54
	Director	Representative of Yuan Rong Investment, Co., Ltd., OU, TZU-HUEI	659,000	0.52
	Independent director	WU, TEH-CHUAN	-	-
	Independent director	WU, HUEI-HUANG	-	-
	Independent Director	TSOU, YEN-CHUNG	-	-
	Independent Director	KO, HSIN-SUI	-	-
UMEC Investment (B.V.I) CO., Ltd.	Director	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: OU, CHENG-MING	US\$30,397,803	100.00
UMEC (H.K.) Company Ltd.	Director	Representative of UMEC Investment CO., Ltd.: OU, CHENG-MING	HK\$1,800,000	100.00
UMEC USA Inc.	Director	Representative of UMEC Investment CO., Ltd.: OU, CHENG-MING	US\$499,999	99.99
	Director	LIN, HSUEH-HWA	US\$1	0.01
Global Development Co., Ltd.	Director	Representative of UMEC Investment CO., Ltd.: OU, CHENG-MING	US\$30,651,744	100.00
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Director	Representative of Global Development CO., Ltd.: LIN, HSUEH-HWA	US\$17,650,000	100.00

Company name	Title	Name or representative	Shareholding	
			Stock (Investment amount)	%
Tien Lung Investment Co., Ltd.	Chairman	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: OU, CHENG-MING	8,800,000	100.00
	Director	Representative of UNIVERSAL MICROELECTRONICS CO., LTD.: HSU, KUAN-CHUN	8,800,000	100.00
	Director	Representative of Universal Microelectronics Co., Ltd.: LIN, HSUEH-HWA	8,800,000	100.00
	Supervisor	Representative of Universal Microelectronics Co., Ltd.	8,800,000	100.00
UMEC Fulong Electronics Co., Ltd. (Longyan)	Director	Representative of Global Development CO., Ltd.: LIN, HSUEH-HWA	US\$3,000,000	100.00
UMEC Anhui Company Limited	Director	Representative of Global Development CO., Ltd.: LIN, HSUEH-HWA	US\$6,000,000	100.00
UMEC VIETNAM Co., Ltd.	Director	Representative of Global Development CO., Ltd.: LIN, HSUEH-HWA	US\$9,000,054	100.00
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Director	Representative of Global Development CO., Ltd.: LIN, HSUEH-HWA	US\$600,000	100.00
Advanced Radar Technology Co., Ltd. (ARadTek)	Chairman & general manager	Representative of Universal Microelectronics Co., Ltd.: OU, CHENG-MING	4,255,894	84.78
	Director	Representative of Universal Microelectronics Co., Ltd.: CHAN, CHIA-NAN	4,255,894	84.78
	Director	Representative of Tien Lung Investment Co., Ltd.: OU, JEN-CHIEH	541,945	10.80
	Director	YANG, PEI-CHI	-	-
	Director	LI, NIEN-CHUAN	464	0.01
	Director	OU, TZU-HUEI	10,000	0.20
	Director	TAO, CHI-WEN	3,761	0.07
	Supervisor	KO, TIEN-HUA	-	-
UMEC Japan Co., Ltd.	Director	Representative of Global Development CO., Ltd.: LIN, HSUEH-HWA	US\$50,262.69	100
	Director	Representative of Global Development CO., Ltd.: OU, JEN-CHIEH	US\$50,262.69	100
PT UMEC Green Tech Indonesia	Director	Representative of Universal Microelectronics CO., LTD.: OU, CHENG-MING	US\$114,600	60
	Director	Representative of Advanced E-Tech Corp.: OU, CHENG-MING	US\$76,400	40

(5) Operational highlights of subsidiaries

Unit: NT\$ (in thousands)/earnings per share (NT\$)

Company name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Profit or loss for the period (after-tax)	Earnings per share (NT\$) (after-tax)
Universal Microelectronics Co., Ltd.	1,273,592	5,143,142	3,107,402	2,035,740	5,627,188	127,552	262,577	2.07
UMEC Investment (B.V.I) CO., Ltd	997,418	389,794	-	389,794	-	(145)	77,554	-
UMEC (H.K.) Company Ltd.	7,088	15,940	3,326	12,614	29,295	433	1,592	-
UMEC USA Inc.	43,013	48,682	813	47,869	15,484	(994)	61	-
Global Development Co., Ltd.	941,315	354,594	100	354,494	-	(1,509)	62,843	-
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	542,032	1,671,487	1,473,151	198,336	2,469,960	156,888	79,589	-
Tien Lung Investment Co., Ltd.	88,000	49,361	40	49,321	-	(592)	(7,191)	-
UMEC Fulong Electronics Co., Ltd. (Longyan)	92,130	92,554	13,114	79,440	84,675	(8,602)	(7,184)	-
UMEC VIETNAM Co., Ltd.	276,500	257,377	186,407	70,970	163,804	(7,662)	(12,009)	-
UMEC Renlong Electronics Co., Ltd. (Meizhou)	18,426	24,618	40,250	(15,632)	67,097	(3,877)	(3,700)	-
Advanced Radar Technology Co., Ltd. (ARadTek)	50,200	28,500	4,460	24,040	12,366	(11,804)	(11,704)	-
UMEC Japan Co., Ltd.	1,368	1,903	564	1,339	5,764	67	17	-
PT UMEC Green Tech Indonesia	3,519	-	-	-	-	-	-	-

Note 1: If the affiliate is a foreign company, its relevant figures should be converted into New Taiwan Dollars using the exchange rate on the reporting date.

(ii) Consolidated Financial Statements of Affiliates

Statement

The entities that are required to be included in the consolidated statements of affiliates of Universal Microelectronics Co., Ltd. as of and for the year ended 31 December 2022 under the “Criteria Governing 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 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Universal Microelectronics Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Truly yours,

Universal Microelectronics Co., Ltd.

Representative: OU, CHENG-MING

16 March 2023

ii. Private Placement Securities in 2022 and up to the publication date of this Annual Report :

- (i) The Company's extraordinary general meeting on 18 March 2022 passed the resolution of conducting a private placement of ordinary shares for cash capital increase. The cash capital increase for ordinary shares should be within the quota of up to 25,471,800 shares. According to Article 43-6 of the Securities and Exchange Act, privately placed securities shall be handled before the expiration of a one-year period from the date of the shareholders' meeting resolution.
- (ii) The Company resolved by the board of directors on 16 March 2023, to discontinue the private placement cash capital increase for the issuance of common shares.

iii. Holding or disposal of shares in the company by the Company's subsidiaries during the most recent year or the current year up to the date of publication of the annual report: None.

iv. Other matters that require additional description: None.

v. Matters according to Article 36-3-2 of the Securities and Exchange Act of Taiwan in the most recent year and up to the date of printing of this annual report which has a significant impact on shareholders' equity or stock price: None.

Appendix 1 : The Company's consolidated financial statement
for the most recent year certified by CPAs

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

Address: 3,27TH RD.,Taichung Industrial Park.Taichung, Taiwan, R.O.C.
Telephone: 886-4-23590096

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

UNIVERSAL MICROELECTRONICS CO., LTD.

Statement

The entities that are required to be included in the consolidated statements of affiliates of Universal Microelectronics Co., Ltd. as of and for the year ended 31 December 2022 under the “Criteria Governing the Preparation of Affiliation Reports, consolidated business reports and consolidated financial statements of affiliated enterprises” are the same as those included in the consolidated financial statements prepared in conformity with international financial reporting standards No.10 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Universal Microelectronics Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates

Truly yours,

UNIVERSAL MICROELECTRONICS CO., LTD.

Chairman: OU, CHENG-MING

16 March 2023

Independent Auditors' Report Translated from Chinese

To UNIVERSAL MICROELECTRONICS Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of UNIVERSAL MICROELECTRONICS Co., Ltd. and its subsidiaries (the “Group”) as of 31 December 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries (the “Group”) as of 31 December 2022 and 2021, and their consolidated financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, 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 2022 consolidated financial statements. 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.

1. Impairment of accounts receivable

As of 31 December 2022, gross accounts receivable and loss allowance by the Group amounted to NT\$855,122 thousand and NT\$1,993 thousand, respectively. Net accounts receivable accounted for 16% of total consolidated assets and have significant impacts on the Group. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the effectiveness of internal controls around accounts receivable management, including performing simple tests by sampling and understanding management's assessment for expected credit losses of accounts receivable, dividing the expected loss rate of risk group and each group, selecting samples to perform the accounts receivable confirmation, analyzing trends of changes in account receivable of prior and subsequent periods and turnover rates, reviewing the collection in subsequent period to assess their recoverability, and performing assessment of the reasonableness of impairment for individual long term accounts receivable. We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

2. Valuation for inventories

As of 31 December 2022, the Group's net inventories amounted to NT\$2,054,312 thousand. Net inventories accounted for 37% of consolidated total assets, which was considered material in the consolidated statements. Due to uncertainty arising from rapid changes in product technology, the provision for valuation loss, sluggish or obsolete inventories involves major judgments by the management. We therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluate the effectiveness of the internal control established by the management for inventory, including performing simple tests and understanding the appropriateness of the management's assessment of inventory evaluation policies and methods, evaluating the management's stocktaking plan and conducting inventory inspections on the spot, obtain the inventory aging table and test the correctness of the inventory age, re-calculating the unit cost of inventories, and evaluating and testing net realizable value adopted by management. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Group, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's 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 auditor's 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 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 in the Republic of China, we exercise professional judgment and 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 internal control of the Group.
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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with 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 2022 consolidated financial statements 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2022 and 2021.

Lo, Wen Chen

Huang, Tzu Ping

Ernst & Young, Taiwan

16 March 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices 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.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards in the Republic of China, and their applications in practice.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2022	2021
Current assets			
Cash and cash equivalents	4,6(1)	\$627,056	\$581,732
Current financial assets at fair value through profit or loss	4,6(2)	25,951	32,245
Current financial assets at amortised cost	4,6(3)	-	13,840
Notes receivable, net	4,7	11,741	3,216
Accounts receivable, net	4,6(4),(20)	853,044	702,594
Accounts receivable due from related parties, net	4,6(4),(20),7	85	7,124
Other receivables		26,539	18,141
Current tax assets		125	212
Current inventories	4,6(5)	2,054,312	1,539,813
Prepayments	4	33,409	40,066
Other current assets	4,6(6),8	212,142	11,316
Total current assets		3,844,404	2,950,299
Non-current assets			
Non-current financial assets at fair value through other comprehensive income	4,6(7)	289,820	537,257
Investments accounted for using equity method	4,6(8)	13,272	13,629
Property, plant and equipment	4,6(9),8	1,099,984	1,142,919
Right-of-use assets	4,6(21)	67,144	62,815
Investment property, net	4,6(10),8	86,096	86,096
Intangible assets	4	10,865	12,093
Deferred tax assets	4,6(25)	40,755	63,283
Other non-current assets	6(11)	92,309	54,897
Total non-current assets		1,700,245	1,972,989
Total assets		\$5,544,649	\$4,923,288

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS(Continued)
 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	As of 31 December	
		2022	2021
Current liabilities			
Current borrowings	4,6(12)	\$240,800	\$199,526
Short-term notes and bills payable	4,6(13)	44,945	79,971
Current financial liabilities at fair value through profit or loss	4,6(14)	957	-
Current contract liabilities	6(19)	230,903	91,785
Notes payable		525	1,578
Accounts payable		941,099	672,271
Other payables	6(15)	242,589	194,196
Current tax liabilities	4	68,420	9,466
Current lease liabilities	4,6(21)	6,721	6,134
Long-term borrowings, current portion	4,6(16)	844,877	527,559
Other current liabilities, others		13,396	14,337
Total current liabilities		2,635,232	1,796,823
Non-current liabilities			
Non-current portion of non-current borrowings	4,6(16)	809,295	1,164,683
Deferred tax liabilities	4,6(25)	-	28,213
Non-current lease liabilities	4,6(21)	8,513	3,569
Net defined benefit liability, non-current	4,6(17)	47,707	62,868
Other non-current liabilities, others		7,095	8,373
Total non-current liabilities		872,610	1,267,706
Total liabilities		3,507,842	3,064,529
Equity	4,6(18)		
Equity attributable to owners of parent			
Share capital			
Ordinary share		1,273,592	1,273,592
Capital surplus		373,076	370,396
Retained earnings			
Legal reserve		11,494	4,699
Special reserve		135,032	281,724
Unappropriated retained earnings		581,301	67,947
Total retained earnings		727,827	354,370
Other equity interest		(332,604)	(135,032)
Treasury shares		(6,151)	(6,151)
Total equity attributable to owners of parent		2,035,740	1,857,175
Non-controlling interests		1,067	1,584
Total equity		2,036,807	1,858,759
Total liabilities and equity		\$5,544,649	\$4,923,288

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2022	2021
Operating revenue	4,6(19),7	\$4,834,189	\$4,040,354
Operating costs	4,6(22)	(3,995,500)	(3,414,832)
Gross profit from operations		838,689	625,522
Operating expenses	6(22),7		
Selling expenses		(114,386)	(108,654)
Administrative expenses		(282,532)	(264,758)
Research and development expenses		(183,734)	(196,311)
Impairment loss (impairment gain and reversal of impairment loss)	4,6(20)	(672)	985
Total operating expenses		(581,324)	(568,738)
Net operating income		257,365	56,784
Non-operating income and expenses	4,6(23)		
Interest income		6,009	834
Other income		50,187	63,656
Other gains and losses		52,157	(33,467)
Finance costs		(33,824)	(26,848)
Share of profit (loss) of associates and joint ventures accounted for using equity method	4,6(8)	(3,037)	(2,221)
Total non-operating income and expenses		71,492	1,954
Profit from continuing operations before tax		328,857	58,738
Tax expense	4,6(25)	(66,797)	(14,611)
Profit		262,060	44,127
Other comprehensive income	4,6(24)		
Components of other comprehensive income that will not be reclassified to profit or loss			
Gains (losses) on remeasurements of defined benefit plans		13,519	(1,667)
Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income		(115,240)	250,641
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		3,597	(28,892)
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation		13,090	5,287
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(1,658)	(1,057)
Total other comprehensive income		(86,692)	224,312
Total comprehensive income		\$175,368	\$268,439
Profit, attributable to:			
Profit, attributable to owners of parent		\$262,577	\$44,706
Profit, attributable to non-controlling interests		(517)	(579)
		\$262,060	\$44,127
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		\$175,885	\$269,018
Comprehensive income, attributable to non-controlling interests		(517)	(579)
		\$175,368	\$268,439
Basic earnings per share (NTD)	6(26)		
Basic earnings per share		\$2.07	\$0.35
Diluted earnings per share		\$2.06	\$0.35

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Retained earnings					Other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares			
Balance as of 1 January 2021	\$1,273,592	\$369,437	\$4,699	\$335,229	\$(107,884)	\$(34,294)	\$(247,430)	\$(6,151)	\$1,587,198	\$2,163	\$1,589,361
Appropriation and distribution of 2020 retained earnings											
Reversal of special reserve				(53,505)	53,505				-		-
Changes in equity of associates and joint ventures accounted for using equity method		959							959		959
Profit in 2021					44,706				44,706	(579)	44,127
Other comprehensive income in 2021					(1,334)	4,230	221,416		224,312	-	224,312
Total comprehensive income	-	-	-	-	43,372	4,230	221,416	-	269,018	(579)	268,439
Disposal of investments in equity instruments designated at fair value through other comprehensive income					78,954		(78,954)		-		-
Balance as of 31 December 2021	\$1,273,592	\$370,396	\$4,699	\$281,724	\$67,947	\$(30,064)	\$(104,968)	\$(6,151)	\$1,857,175	\$1,584	\$1,858,759
Balance as of 1 January 2022	\$1,273,592	\$370,396	\$4,699	\$281,724	\$67,947	\$(30,064)	\$(104,968)	\$(6,151)	\$1,857,175	\$1,584	\$1,858,759
Appropriation and distribution of 2021 retained earnings											
Legal reserve appropriated			6,795		(6,795)				-		-
Reversal of special reserve				(146,692)	146,692				-		-
Changes in equity of associates and joint ventures accounted for using equity method		2,680							2,680		2,680
Profit in 2022					262,577				262,577	(517)	262,060
Other comprehensive income in 2022					10,815	11,432	(108,939)		(86,692)	-	(86,692)
Total comprehensive income	-	-	-	-	273,392	11,432	(108,939)	-	175,885	(517)	175,368
Disposal of investments in equity instruments designated at fair value through other comprehensive income					100,065		(100,065)		-		-
Balance as of 31 December 2022	\$1,273,592	\$373,076	\$11,494	\$135,032	\$581,301	\$(18,632)	\$(313,972)	\$(6,151)	\$2,035,740	\$1,067	\$2,036,807

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from operating activities:		
Profit from continuing operations before tax	\$328,857	\$58,738
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	152,405	158,996
Amortization expense	22,059	22,722
Expected credit loss (gain)	672	(985)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	7,251	(1,356)
Interest expense	33,824	26,848
Interest income	(6,009)	(834)
Dividend income	(4,334)	(5,766)
Share of loss of associates and joint ventures accounted for using equity method	3,037	2,221
(Gain) loss on disposal of property, plan and equipment	(839)	18,226
Loss on disposal of intangible assets	438	-
Reversal of impairment loss on non-financial assets	-	(16,147)
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(8,525)	1,873
Increase in accounts receivable	(144,083)	(14,145)
(Increase) decrease in other receivable	(8,135)	2,010
Increase in inventories	(514,499)	(552,917)
Decrease (increase) in prepayments	6,657	(11,141)
Decrease in other current assets	8,107	5,958
Increase in contract liabilities	139,118	44,058
(Decrease) increase in notes payable	(1,053)	50
Increase (decrease) in accounts payable	268,828	(14,917)
Increase (decrease) in other payable	48,085	(7,107)
Decrease in other current liabilities	(941)	(1,678)
Decrease in net defined benefit liability	(1,642)	(1,514)
Cash inflow (outflow) generated from operations	329,278	(286,807)
Interest received	5,746	858
Dividends received	4,334	5,766
Interest paid	(33,516)	(26,952)
Income taxes paid	(11,532)	(7,794)
Net cash flows from (used in) operating activities	294,310	(314,929)

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(19,600)	(28,248)
Proceeds from disposal of financial assets at fair value through other comprehensive income	151,797	132,510
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,997
Acquisition of financial assets at amortised cost	-	(13,840)
Proceeds from repayments of financial assets at amortised cost	13,840	-
Acquisition of property, plant and equipment	(75,434)	(102,330)
Proceeds from disposal of property, plant and equipment	1,799	2,393
Acquisition of intangible assets	(7,222)	(6,881)
(Increase) decrease in other financial assets	(208,933)	2
Increase in other non-current assets	(51,350)	(7,068)
Net cash flows used in investing activities	(195,103)	(21,465)
Cash flows from financing activities:		
Increase in short-term loans	41,274	79,526
(Decrease) increase in short-term notes and bills payable	(35,026)	79,971
Proceeds from long-term debt	752,200	492,943
Repayments of long-term debt	(790,270)	(653,390)
Payments of lease liabilities	(8,543)	(10,953)
(Decrease) increase in other non-current liabilities	(1,278)	3,167
Net cash flows used in financing activities	(41,643)	(8,736)
Effect of exchange rate changes on cash and cash equivalents	(12,240)	(10,684)
Net increase (decrease) in cash and cash equivalents	45,324	(355,814)
Cash and cash equivalents at beginning of period	581,732	937,546
Cash and cash equivalents at end of period	\$627,056	\$581,732

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

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

UNIVERSAL MICROELECTRONICS Co., Ltd. (the Company) was incorporated in Republic of China (R.O.C) on 18 February 1984. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in 1998 and were listed on the Taiwan Stock Exchange on 11 September 2000. Its registered location and main operational base were situated at No. 3, Industrial Road 27, Nantun District, Taichung City.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (the Group) were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 16 March 2023.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023 have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

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- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

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4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the year ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NT\$) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group’s voting rights and potential voting rights

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The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed 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.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary
- (b) derecognizes the carrying amount of any non-controlling interest
- (c) recognizes the fair value of the consideration received
- (d) recognizes the fair value of any investment retained
- (e) recognizes any surplus or deficit in profit or loss
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2022	31 December 2021	
The Company	Tien Lung Investment Co., Ltd.	Investment company	100.00%	100.00%	
The Company	UMEC Investment Co., Ltd. (UMEC (B.V.I.))	Investment and holding company	100.00%	100.00%	
The Company	PT UMEC Green Tech Indonesia	Sales of electronic parts and components	60.00%	60.00%	
The Company	Advanced Radar Technology Co.,Ltd. (ARadTek)	Manufacturing and sales of electronic parts and components	84.78%	84.78%	
The Company	UMEC USA, Inc. (UMEC (USA))	R&D and sales of electromagnetic parts	99.99%	-%	Note1

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Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2022	31 December 2021	
The Company	UMEC JAPAN CO., LTD. (UMEC (JAPAN))	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board	100.00%	-%	Note1
UMEC(B.V.I)	UMEC (H.K.) Company Ltd. (UMEC (H.K.))	Established in Hongkong to handle export shipping affairs of China.	100.00%	100.00%	
UMEC(B.V.I)	UMEC (USA)	R&D and sales of electromagnetic parts	-%	99.99%	Note1
UMEC(B.V.I)	Global Development Company Ltd. (Global)	Investment and holding company	100.00%	100.00%	
Global	JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	100.00%	100.00%	
Global	UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer assemblies	100.00%	100.00%	
Global	UMEC VIETNAM Co., Ltd.	Manufacturing and sales of switch mode power supply, transformer and circuit board	100.00%	100.00%	
Global	UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	100.00%	100.00%	
Global	UMEC (JAPAN)	Promotion and sales of switch-mode power supplies, transformers, and circuit board assemblies	-%	100.00%	Note1
Tien Lung Investment Co., Ltd.	ARadTek	Manufacturing and sales of electronic parts and components	10.80%	10.80%	

Note 1: The company adjusted its investment structure in the third quarter of 2022 and transferred UMEC (USA), a subsidiary of UMEC (B.V.I.) and UMEC (JAPAN), a subsidiary of Global, 100% ownership to the Company.

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(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

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(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading

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- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or 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.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an 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 the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

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(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

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Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average cost method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture 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 or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

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- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	20~40 years
Machinery and equipment	6~10 years
Transportation equipment	5~10 years
Office equipment	3~10 years
Other equipment	2~10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(14)Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

The Group assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

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Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

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- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment.

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Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents	Computer software	Others
Useful lives	10 years	10 years	20~40 years
Amortization method used	Amortized on a straight-line basis over the period of the patent	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(19) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(20) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

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Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers.

The credit period of the Group's sale of goods is from 10 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(21) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(22) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(23) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(24) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements required management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

Determining control over an invested company when lacking majority voting rights.

The Group did not have more than 50% of the voting rights and is the main shareholder in certain investees. After taking into consideration factors such as absolute size of the Group's holding, relative size of the other shareholdings, how widely spread the remaining shareholders were, contractual arrangements between shareholders, potential voting rights, etc., the Group reached the conclusion that it has material influence but did not have de facto control over these investees. Please refer to Note 6 (8) for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

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(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(e) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

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(f) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2022	2021
Cash on hand	\$3,752	\$3,237
Demand deposits	623,304	578,495
Total	<u>\$627,056</u>	<u>\$581,732</u>

(2) Financial assets at fair value through profit or loss

	As of 31 December	
	2022	2021
Financial assets mandatorily at fair value through profit or loss:		
Stocks	<u>\$25,951</u>	<u>\$32,245</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at amortised cost

	As of 31 December	
	2022	2021
Time deposits	<u>\$ -</u>	<u>\$13,840</u>

Financial assets at amortised cost were not pledged. Please refer to Note 12 for more details on credit risk management.

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(4) Accounts receivables and accounts receivable - related parties

	As of 31 December	
	2022	2021
Accounts receivables	\$855,037	\$704,340
Less: loss allowance	(1,993)	(1,746)
Subtotal	853,044	702,594
Accounts receivable – related parties	85	7,124
Total	<u>\$853,129</u>	<u>\$709,718</u>

Accounts receivables were not pledged.

The credit period extended to customers by the Group is typically between 10 and 150 days. The total book value as of December 31, 2022 and 2021, were NT\$855,122 thousand and NT\$711,464 thousand, respectively. Please refer to Note 6(20) for more details on loss allowance and Note 12 for details on credit risk management.

(5) Inventories

	As of 31 December	
	2022	2021
Raw materials	\$1,430,361	\$960,952
Supplies & parts	41,300	36,084
Work in progress	26,323	18,755
Finished goods	208,568	146,425
Merchandise	347,760	377,597
Total	<u>\$2,054,312</u>	<u>\$1,539,813</u>

The inventory cost recognized as operating costs for the year ended 31 December 2022 and 2021 were NT\$3,995,500 thousand and NT\$3,414,832 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT\$21,108 thousand and NT\$50,356 thousand.

The gain from price recovery of inventories in 2022 was due to the selling slow-moving inventories that was originally provided for write-down. The gain from price recovery of inventories in 2021 was due to the scrapping of the portion of inventories that was originally provided for write-down.

No inventories were pledged.

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(6) Other current assets

	As of 31 December	
	2022	2021
Restricted assets	\$208,933	\$ -
Temporary debits	91	7,594
Other assets	3,118	3,722
Total	<u>\$212,142</u>	<u>\$11,316</u>

Please refer to Note 8 for more details on other current assets under pledge.

(7) Financial assets at fair value through other comprehensive income

	As of 31 December	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income, Non-current		
Listed companies stocks	\$124,891	\$372,243
Emerging companies stocks	29,730	48,992
Unlisted companies stocks	135,199	116,022
Total	<u>\$289,820</u>	<u>\$537,257</u>

In 2022, the Group disposed of the listed stocks and emerging stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$151,797 thousand, and the cumulative disposal gain of NT\$100,065 thousand was transferred from other components of equity to retained earnings.

In 2021, the Group disposed of the listed stocks and unlisted stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$129,727 thousand and NT\$2,783 thousand, and the cumulative disposal gain of NT\$78,954 thousand was transferred from other components of equity to retained earnings.

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The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the periods ended 31 December 2022 and 2021 are as follow:

	As of 31 December	
	2022	2021
Related to investments held at the end of the reporting period	\$2,786	\$3,079
Related to investments derecognized during the period	-	1,265
Dividends recognized during the period	<u>\$2,786</u>	<u>\$4,344</u>

Financial assets at fair value through other comprehensive income were not pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of 31 December			
	2022		2021	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Poris Electronics Co., Ltd.	\$6,744	33.55%	\$7,428	33.55%
AMIT System Service Ltd.	3,139	14.75%	2,339	19.67%
UEC System Solutions Corporation	3,389	13.89%	3,862	13.89%
PT. Sinergi Cerdas Technology	-	49.00%	-	49.00%
Total	<u>\$13,272</u>		<u>\$13,629</u>	

The Group had 33.55% of the voting rights in Poris Electronics Co., Ltd.. However, the decision-making of Poris Electronics Co., Ltd. must be resolved by the majority votes of the shareholders' meeting. Under such circumstances, the Group did not have the ability to unilaterally determine the related activities of Poris Electronics Co., Ltd.. Therefore, the Group did not have control over Poris Electronics Co., Ltd. but only had significant influence.

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The Group had 14.75% of the voting rights in AMIT System Service Ltd. , even though its shareholding was below 20%. However, due to the Group's representation as a director, it was presumed to have significant influence over AMIT System Service Ltd..

The Group had 13.89% of the voting rights in UEC System Solutions Corporation , even though its shareholding was below 20%. However, due to the Group's representation as a director, it was presumed to have significant influence over UEC System Solutions Corporation.

The aggregate financial information of the Group's share of its associates is as follows:

	For the year ended 31 December	
	2022	2021
Profit or loss from continuing operations	\$(3,037)	\$(2,221)
Other comprehensive income (net of tax)	-	-
Total comprehensive income	<u>\$(3,037)</u>	<u>\$(2,221)</u>

The associates had no contingent liabilities capital commitments and pledged as of 31 December 2022 and 2021.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending examination	Total
Cost:										
As of 1 January 2022	\$159,997	\$1,228,953	\$1,325,131	\$14,389	\$97,693	\$107,941	\$265,268	\$1,912	\$36,045	\$3,237,329
Additions	-	455	14,810	-	4,157	2,743	5,214	-	30,252	57,631
Disposals	-	1,142	7,644	1,272	575	723	6,447	-	-	17,803
Exchange differences	-	-	(26,662)	(2,302)	(4,112)	(100)	(10,208)	-	-	(43,384)
Other changes	-	29,103	18,673	52	2,095	-	2,568	-	-	52,491
As of 31 December 2022	<u>\$159,997</u>	<u>\$1,259,653</u>	<u>\$1,339,596</u>	<u>\$13,411</u>	<u>\$100,408</u>	<u>\$111,307</u>	<u>\$269,289</u>	<u>\$1,912</u>	<u>\$66,297</u>	<u>\$3,321,870</u>
As of 1 January 2021	\$159,997	\$1,184,355	\$1,393,503	\$13,891	\$86,404	\$105,429	\$274,998	\$1,912	\$17,595	\$3,238,084
Additions	-	2,078	22,421	-	3,314	1,951	1,800	-	47,906	79,470
Transfer	-	23,518	19,703	525	8,433	561	101	-	(29,456)	23,385
Disposals	-	-	(111,989)	-	(2,147)	-	(10,612)	-	-	(124,748)
Exchange differences	-	19,002	1,493	(27)	1,689	-	(1,019)	-	-	21,138
As of 31 December 2021	<u>\$159,997</u>	<u>\$1,228,953</u>	<u>\$1,325,131</u>	<u>\$14,389</u>	<u>\$97,693</u>	<u>\$107,941</u>	<u>\$265,268</u>	<u>\$1,912</u>	<u>\$36,045</u>	<u>\$3,237,329</u>

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	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending examination	Total
Depreciation and impairment:										
As of 1 January 2022	\$(449)	\$(738,187)	\$(911,752)	\$(13,078)	\$(75,877)	\$(102,779)	\$(251,205)	\$(1,083)	\$ -	\$(2,094,410)
Depreciation	-	(42,418)	(80,403)	(697)	(7,821)	(4,238)	(4,825)	(319)	-	(140,721)
Disposals	-	-	25,716	2,302	4,112	100	10,194	-	-	42,424
Exchange differences	-	(13,194)	(12,193)	(48)	(1,307)	-	(2,437)	-	-	(29,179)
As of 31 December 2022	<u>\$(449)</u>	<u>\$(793,799)</u>	<u>\$(978,632)</u>	<u>\$(11,521)</u>	<u>\$(80,893)</u>	<u>\$(106,917)</u>	<u>\$(248,273)</u>	<u>\$(1,402)</u>	<u>\$ -</u>	<u>\$(2,221,886)</u>
As of 1 January 2021	\$(449)	\$(691,677)	\$(917,141)	\$(12,335)	\$(69,576)	\$(97,270)	\$(257,507)	\$(765)	\$ -	\$(2,046,720)
Depreciation	-	(40,314)	(86,918)	-	(7,628)	(5,509)	(4,148)	(318)	-	(145,522)
Disposals	-	-	92,615	(687)	2,138	-	9376	-	-	104,129
reclassification	-	-	-	(80)	-	-	-	-	-	(80)
Exchange differences	-	(6,196)	(308)	24	(811)	-	1,074	-	-	(6,217)
As of 31 December 2021	<u>\$(449)</u>	<u>\$(738,187)</u>	<u>\$(911,752)</u>	<u>\$(13,078)</u>	<u>\$(75,877)</u>	<u>\$(102,779)</u>	<u>\$(251,205)</u>	<u>\$(1,083)</u>	<u>\$ -</u>	<u>\$(2,094,410)</u>
Net carrying amount as at:										
31 December 2022	<u>\$159,548</u>	<u>\$465,854</u>	<u>\$360,964</u>	<u>\$1,890</u>	<u>\$19,515</u>	<u>\$4,390</u>	<u>\$21,016</u>	<u>\$510</u>	<u>\$66,297</u>	<u>\$1,099,984</u>
31 December 2021	<u>\$159,548</u>	<u>\$490,766</u>	<u>\$413,379</u>	<u>\$1,311</u>	<u>\$21,816</u>	<u>\$5,162</u>	<u>\$14,063</u>	<u>\$829</u>	<u>\$36,045</u>	<u>\$1,142,919</u>

Components of building that have different useful lives were the main building structure and air conditioning, which were depreciated 20~40 years and 10~15 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(10) Investment property

	Land
Cost :	
As at 1 Jan. 2022	\$86,096
Additions from acquisitions	-
As at 31 Dec. 2022	<u>\$86,096</u>
As at 1 Jan. 2021	\$86,096
Additions from acquisitions	-
As at 31 Dec. 2021	<u>\$86,096</u>

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Depreciation and impairment :

As at 1 Jan. 2022	\$ -
Depreciation	-
Reversal of impairment loss	-
As at 31 Dec. 2022	<u>\$ -</u>

As at 1 Jan. 2021	\$(16,147)
Depreciation	-
Reversal of impairment loss	16,147
As at 31 Dec. 2021	<u>\$ -</u>

Net carrying amount as at:

As at 31 Dec. 2022	<u>\$86,096</u>
As at 31 Dec. 2021	<u>\$86,096</u>

Please refer to Note 8 for more details on investment property under pledge.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The fair value of investment properties was NT\$143,736 thousand as of 31 December 2021. The fair value had been determined based on valuations performed by an independent valuer, and there had been no significant changes in the fair value of the investment properties as of 31 December 2022.

(11) Other non-current assets

	As of 31 December	
	2022	2021
Prepayment for equipment	\$49,814	\$10,213
Refundable deposits	1,500	1,341
Other assets - others	40,995	43,343
Total	<u>\$92,309</u>	<u>\$54,897</u>

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(12) Short-term loans

	As of 31 December	
	2022	2021
Unsecured bank loans	\$100,000	\$199,526
Secured bank loans	140,800	-
Total	<u>\$240,800</u>	<u>\$199,526</u>

	As of 31 December	
	2022	2021
Interest rates applied		
Unsecured bank loans	1.69%	1.06%-1.25%
Secured bank loans	1.56%-1.69%	-%

The Group's unused short-term lines of credits amounted to NT\$823,260 thousand and NT\$1,013,080 thousand as of 31 December 2022 and 2021, respectively.

Secured bank loans were secured by time deposits, please refer to Note 8 for more details.

(13) Short-term notes and bills payable

		As of 31 December	
		2022	2021
Commercial papers payable	Union Bank Of Taiwan	\$45,000	\$ -
	China Bills Finance Corporation	-	50,000
	Mega Bills Finance Corporation Ltd.	-	30,000
Less: discount on short-term notes and bills payable		<u>(55)</u>	<u>(29)</u>
Total		<u>\$44,945</u>	<u>\$79,971</u>

	As of 31 December	
	2022	2021
Interest rates applied	1.42%	0.50%-0.70%

Short-term notes and bills payable were secured by time deposits, please refer to Note 8 for more details.

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(14) Financial liabilities at fair value through profit or loss

	As of 31 December	
	2022	2021
Held for trading		
Foreign exchange swaps	\$957	\$ -

(15) Other payables

	As of 31 December	
	2022	2021
Wages and salaries payable	\$134,673	\$121,571
Employee bonus payable	13,758	-
Business tax payable	9,416	4,864
Insurance expense payable	8,472	8,027
Compensation due to directors	6,878	-
Payable on machinery and equipment	5,381	4,982
Pension expense payable	4,873	4,800
Other payables	59,138	49,952
Total	\$242,589	\$194,196

(16) Long-term loans

Details of long-term loans as of 31 December 2022 and 2021 are as follows:

Lenders	Maturity date	As of 31 December	
		2022	2021
Mega International Commercial Bank	2031/09/15	\$579,251	\$635,039
Chang Hwa Commercial Bank	2029/06/23	422,384	310,491
Bank of Taiwan	2025/10/28	179,596	254,149
Taiwan Cooperative Bank	2025/08/02	184,512	157,793
Hua Nan Commercial Bank	2023/10/25	120,000	120,000
Land Bank of Taiwan	2027/11/25	72,666	83,333
First Commercial Bank	2027/04/15	65,763	65,437
Taichung Commercial Bank	2024/09/01	30,000	46,000
Yuanta Commercial Bank	2022/09/09	-	20,000
Subtotal		1,654,172	1,692,242
Less: current portion		(844,877)	(527,559)
Total		\$809,295	\$1,164,683

	As of 31 December	
	2022	2021
Interest rates applied	1.73%-2.31%	1.18%~1.68%

Please refer to Note 8 for more details on property, plant and equipment and investment property under pledge.

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(17) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the year ended 31 December 2022 and 2021 were NT\$18,550 thousand and NT\$18,444 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$2,160 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The weighted average duration of the defined benefits obligation was 8.1 years as of 31 December 2022.

Pension costs recognized in profit or loss are as follows:

	For the year ended 31 December	
	2022	2021
Current service costs	\$69	\$106
Net interest on the net defined benefit liabilities (assets)	371	462
Total	<u>\$440</u>	<u>\$568</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Defined benefit obligation	\$179,622	\$184,796	\$186,999
Plan assets at fair value	(131,915)	(121,928)	(124,284)
Other non-current assets - Net defined benefit liabilities (assets)	<u>\$47,707</u>	<u>\$62,868</u>	<u>\$62,715</u>

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Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2021	\$186,999	\$(124,284)	\$62,715
Current service cost	106	-	106
Interest expense (income)	1,402	(940)	462
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	188,507	(125,224)	63,283
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	1,451	-	1,451
Experience adjustments	(695)	-	(695)
Remeasurements of the defined benefit assets	-	911	911
Subtotal	756	911	1,667
Payments of benefit obligation	(4,467)	4,467	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2021	184,796	(121,928)	62,868
Current period service costs	69	-	69
Interest expense (income)	1,109	(738)	371
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	185,974	(122,666)	63,308
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(3,230)	-	(3,230)
Experience adjustments	(799)	-	(799)
Remeasurements of the defined benefit assets	-	(9,490)	(9,490)
Subtotal	(4,029)	(9,490)	(13,519)
Payments of benefit obligation	(2,323)	2,323	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2022	\$179,622	\$(131,915)	\$47,707

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The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As of 31 December	
	2022	2021
Discount rate	1.00%	0.60%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis for significant assumption are shown below:

	For the year ended 31 December			
	2022		2021	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	\$ -	\$3,845	\$ -	\$4,734
Discount rate decrease by 0.50%	4,060	-	5,037	-
Future salary increase by 0.50%	4,028	-	4,981	-
Future salary decrease by 0.50%	-	3,855	-	4,732

The sensitivity analyses above were based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses might not have been representative of an actual change in the defined benefit obligation, as it was unlikely that changes in assumptions would have occurred in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(18) Equities

(a) Common stock

The Company's authorized capital was NT\$2,207,460 thousand and NT\$1,273,592 thousand in a total of 220,746 thousand shares and 127,359 thousand shares as of 31 December 2022 and 2021. Each share has one voting right and a right to receive dividends.

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(b) Capital surplus

	As of 31 December	
	2022	2021
Additional paid-in capital	\$335,197	\$335,197
Treasury share transactions	34,058	34,058
Increase through changes in ownership interests in subsidiaries	(564)	(564)
Share of changes in net assets of associates and joint ventures accounted for using the equity method	4,385	1,705
Total	<u>\$373,076</u>	<u>\$370,396</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

The treasury stock held by the Company was NT\$6,151 thousand, and the number of treasury stock held by the Company was 538 thousand as of 31 December 2022 and 2021.

In order to encourage employees, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors on March 25, 2020. The Company repurchased 538 thousand shares between March 26 and May 25, 2020. The range of the repurchased price is between \$6.68 and \$18.68.

As of December 31, 2022 and 2021, the treasury shares of the company had not been transferred to employees.

According to the Securities and Exchange Act, the number of shares bought back under the preceding paragraphs may not exceed ten percent of the total number of issued and outstanding shares of the company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

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According to the Securities and Exchange Act, the shares bought back by the Company should not be pledged and the shareholder's rights should not be enjoyed.

(d) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues
- b. Offset prior years' operation losses
- c. Set aside 10% as legal reserve
- d. Set aside or reverse special reserve in accordance with law and regulations
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

As the Company is undergoing a growth stage, the policy of dividend distribution should reflect its long-term financial planning. The Board of Directors shall make the distribution proposal annually and present it at the Shareholder's meeting every year. The distribution of shareholders dividend shall be allocated cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it. Due to the adoption of IFRSs for the first time on the conversion date, the Company's retained earnings had become negative. Therefore, there was no need to allocate a special surplus reserve.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 16 March 2023 and 20 June 2022, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>For the year ended</u>		<u>For the year ended</u>	
	<u>31 December</u>		<u>31 December</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve appropriated	\$37,345	\$6,795		
Special reserve appropriated	197,572	-		
Reversal of special reserve	-	(146,692)		
Common stock -cash dividend	63,411	-	\$0.5	\$ -

Please refer to Note 6(22) for details on employees' compensation and remuneration to directors.

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(e) Non-controlling interests

	For the year ended 31 December	
	2022	2021
Beginning balance	\$1,584	\$2,163
Losses attributable to non-controlling interests	(517)	(579)
Other comprehensive income, attributable to non-controlling interests:		
Changes in equity of subsidiaries	-	-
Ending balance	<u>\$1,067</u>	<u>\$1,584</u>

(19) Operating revenue

	For the year ended 31 December	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$4,801,715	\$4,001,845
Other operating revenue	<u>32,474</u>	<u>38,509</u>
Total	<u>\$4,834,189</u>	<u>\$4,040,354</u>

Analysis of revenue from contracts with customers for the year ended 31 December 2022 and 2021 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022

	Magnetic Component & Power product department	Information and communication product department	Optical Communication Product Office	Others department	Total
Sale of goods	\$2,688,226	\$2,088,962	\$24,527	\$ -	\$4,801,715
Other operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,474</u>	<u>32,474</u>
Total	<u>\$2,688,226</u>	<u>\$2,088,962</u>	<u>\$24,527</u>	<u>\$32,474</u>	<u>\$4,834,189</u>

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For the year ended 31 December 2021

	Magnetic Component & Power product department	Information and communication product department	Optical Communication Product Office	Optoelectronics department	Others department	Total
Sale of goods	\$2,184,302	\$1,755,837	\$33,634	\$28,072	\$ -	\$4,001,845
Other operating revenues	-	-	-	-	38,509	38,509
Total	<u>\$2,184,302</u>	<u>\$1,755,837</u>	<u>\$33,634</u>	<u>\$28,072</u>	<u>\$38,509</u>	<u>\$4,040,354</u>

Due to operational strategy considerations, the Group ceased operations of the Optoelectronics department at the end of 2021.

The Group recognizes sales revenue when control of goods has been transferred to the customer at a point in time.

(2) Contract balances

A. Contract assets – current

As of December 31 2022 and 2021, the Group did not have any contract assets.

B. Contract liabilities – current

	As of		
	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Sales of goods	<u>\$230,903</u>	<u>\$91,785</u>	<u>\$47,727</u>

The significant changes in the Group's balances of contract liabilities for the year ended 31 December 2022 and 2021 are as follows:

	For the year ended 31 December	
	2022	2021
The opening balance transferred to revenue	\$(47,622)	\$(29,337)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	186,740	73,395

(3) Transaction price allocated to unsatisfied performance obligations

None.

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(4) Assets recognized from costs to fulfil a contract

None.

(20) Expected credit losses / (gains)

	For the year ended 31 December	
	2022	2021
Operation expense- Expected credit losses		
Trade receivables	\$672	\$(985)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2022 and 2021 are as follows:

Accounts receivable were classified into groups based on factors such as the counterparty's credit rating, region, and industry. Provision matrices were used to measure the allowance for impairment losses. The relevant information is as follows:

31 December 2022

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$829,873	\$32,432	\$2,105	\$166	\$267	\$2,020	\$866,863
Loss ratio	-%	-%	-%	-%	14.13%	96.78%	
Lifetime expected credit losses	-	-	-	-	(38)	(1,955)	(1,993)
Carrying amount	\$829,873	\$32,432	\$2,105	\$166	\$229	\$65	\$864,870

31 December 2021

	Not yet due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$692,974	\$17,812	\$1,955	\$262	\$ -	\$1,677	\$714,680
Loss ratio	-%	-%	0.15%	25.24%	31.38%	100.00%	
Lifetime expected credit losses	-	-	(3)	(66)	-	(1,677)	(1,746)
Carrying amount	\$692,974	\$17,812	\$1,952	\$196	\$ -	\$ -	\$712,934

Note: The Group's note receivables are not overdue.

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The movement in the provision for impairment of note receivables and trade receivables during the 31 December 2022 and 2021 are as follows:

	Note receivables	Trade receivables
As of 1 January 2022	\$ -	\$1,746
Addition / (reversal) for the current period	-	672
Write off due to uncollectibility	-	(425)
Exchange difference	-	-
As of 31 December 2022	<u>\$ -</u>	<u>\$1,993</u>
As of 1 January 2021	\$ -	\$4,812
Addition / (reversal) for the current period	-	(985)
Write off due to uncollectibility	-	(2,081)
Exchange difference	-	-
As of 31 December 2021	<u>\$ -</u>	<u>\$1,746</u>

(21) Leases

i. The Group is a lessee

The Group leased various properties, including real estate such as land and buildings, transportation equipment, and office equipment. The lease terms ranged from 1 to 38 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2022	2021
Land	\$52,123	\$53,183
Buildings	13,543	9,116
Transportation equipment	1,398	328
Office equipment	80	188
Total	<u>\$67,144</u>	<u>\$62,815</u>

During the year ended 31 December 2022 and 2021, the Group's additions to right-of-use assets amounting to NT\$13,927 thousand and NT\$12,001 thousand.

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(b) Lease liabilities

	As of 31 December	
	2022	2021
Lease liabilities		
Current	\$6,721	\$6,134
Non-Current	8,513	3,569
Total	<u>\$15,234</u>	<u>\$9,703</u>

Please refer to Note 6(23)(d) for the interest on lease liabilities recognized during the year ended 31 December 2022 and 2021 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the year ended 31 December	
	2022	2021
Land	\$3,002	\$2,909
Buildings	8,059	10,012
Transportation equipment	516	438
Office equipment	107	115
Total	<u>\$11,684</u>	<u>\$13,474</u>

C. Income and costs relating to leasing activities

	For the year ended 31 December	
	2022	2021
The expenses relating to short-term leases	<u>\$3,311</u>	<u>\$5,938</u>

During the year ended 31 December 2022 and 2021, there was no rent concession arising as a direct consequence of the Covid-19 pandemic.

D. Cash outflow related to lessee and lease activity

During the year ended 31 December 2022 and 2021, the Group's total cash outflows for leases amounting to NT\$12,019 thousand and NT\$17,053 thousand.

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(22) Summary statement of employee benefits, depreciation and amortization expenses by function for the year ended 31 December 2022 and 2021:

	For the year ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$576,185	\$293,116	\$869,301	\$638,305	\$279,530	\$917,835
Labor and health insurance	72,682	30,599	103,281	87,163	35,273	122,436
Pension	8,495	10,495	18,990	8,238	10,774	19,012
Other employee benefits expense	11,714	8,485	20,199	13,210	8,055	21,265
Depreciation	105,761	46,644	152,405	110,089	48,907	158,996
Amortization	7,877	14,182	22,059	8,455	14,267	22,722

The number of employees for the Group were 2,712 and 2,953 as of 31 December 2022 and 2021.

According to the Articles of Incorporation, no less than 4% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board meeting resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended of 31 December 2022 to be 4% and 2% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2022 amount to NT\$13,758 thousand and NT\$6,878 thousand respectively, recognized as salaries. In 2021, the Company recorded pre-tax net profit, but there were still accumulated losses, resulting in the retention of the compensation amount, and employee compensation and director remuneration were not accrued.

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(23) Non-operating income and expenses

(a) Interest income

	For the year ended 31 December	
	2022	2021
Financial assets measured at amortized cost	\$6,009	\$834

(b) Other income

	For the year ended 31 December	
	2022	2021
Rental income	\$20,057	\$15,994
Dividend income	4,334	5,766
Other income - others	25,796	41,896
Total	\$50,187	\$63,656

(c) Other gains and losses

	For the year ended 31 December	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$839	\$(18,226)
Loss on disposal of intangible assets	(438)	
Foreign exchange gain (loss), net	60,570	(31,929)
(Loss) gain of financial asset at fair value through profit or loss	(7,251)	1,356
Reversal of impairment loss recognised in profit or loss, investment property	-	16,147
Other expense	(1,563)	(815)
Total	\$52,157	\$(33,467)

(d) Finance costs

	For the year ended 31 December	
	2022	2021
Interest on loans from bank	\$33,659	\$26,686
Interest on lease liabilities	165	162
Total	\$33,824	\$26,848

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(24) Components of other comprehensive income

For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$13,519	\$ -	\$13,519	\$(2,704)	\$10,815
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(115,240)	-	(115,240)	6,301	(108,939)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	13,090	-	13,090	(1,658)	11,432
Total of other comprehensive income	<u>\$(88,631)</u>	<u>\$ -</u>	<u>\$(88,631)</u>	<u>\$1,939</u>	<u>\$(86,692)</u>

For the year ended 31 December 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(1,667)	\$ -	\$(1,667)	\$333	\$(1,334)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	250,641	-	250,641	(29,225)	221,416
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	5,287	-	5,287	(1,057)	4,230
Total of other comprehensive income	<u>\$254,261</u>	<u>\$ -</u>	<u>\$254,261</u>	<u>\$(29,949)</u>	<u>\$224,312</u>

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(25) Income tax

The main components of income tax expense (benefit) for the year ended 31 December 2022 and 2021 were as follows:

	For the year ended 31 December	
	2022	2021
<u>Income tax expense recognized in profit or loss</u>		
Current income tax expense (income) :		
Current income tax charge	\$48,899	\$(1,156)
Adjustments in respect of current income tax of prior periods	(269)	626
Deferred tax expense (income) :		
Deferred tax expense relating to origination and reversal of temporary differences	18,167	13,054
Adjustments of prior year's deferred income tax	-	710
Reversal of deferred income tax	-	1,377
Total income tax expense (income)	<u>\$66,797</u>	<u>\$14,611</u>

Income tax relating to components of other comprehensive income

	For the year ended 31 December	
	2022	2021
Deferred tax expense (income) :		
Remeasurements of defined benefit plans	\$2,704	\$(333)
Unrealized (losses) gains from equity instruments investments measured at fair value through other comprehensive income	(6,301)	29,225
Exchange differences on translation	1,658	1,057
Income tax relating to components of other comprehensive income	<u>\$(1,939)</u>	<u>\$29,949</u>

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Income tax charged directly to equity

	<u>2022</u>	<u>2021</u>
Current income tax expense (income):		
Realized losses from equity instruments investment measured at fair value through other comprehensive income	\$21,913	\$17,222
Deferred tax expense :		
Realized losses from equity instruments investment measured at fair value through other comprehensive income	-	2,284
Income tax charged directly to equity	<u>\$21,913</u>	<u>\$19,506</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Accounting profit before tax from continuing operations	<u>\$328,857</u>	<u>\$58,738</u>
At the Company's statutory income tax rate	\$65,771	\$11,747
Tax effect of revenues exempt from taxation	3,731	(1,567)
Tax effect of expenses not deductible for tax purposes	280	2
Tax effect of deferred tax assets/liabilities	(13,622)	(4,153)
Tax effect of different tax rates for entities in other tax regions	5,273	6,269
Corporate income surtax on undistributed retained earnings	5,633	310
Adjustments in respect of current income tax of prior periods	<u>(269)</u>	<u>2,003</u>
Total income tax expense recognized in profit or loss	<u>\$66,797</u>	<u>\$14,611</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance as of 31 December
Temporary differences					
Unrealized foreign exchange gains or losses	\$18,363	\$(13,631)	\$ -	\$ -	\$4,732
Allowance for inventory valuation losses	8,658	(2,430)	-	-	6,228
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,830	(328)	-	-	9,502
Exchange differences on translation	7,874	-	(1,658)	-	6,216
Revaluations of financial assets at fair	-	191	-	-	191
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(28,214)	-	6,301	21,913	-
Temporary differences	4,515	-	(2,704)	-	1,811
Unrealized transactions within the Group entities	1,969	(1,969)	-	-	-
Deferred tax income (expense)		<u>\$(18,167)</u>	<u>\$1,939</u>	<u>\$21,913</u>	
Net deferred tax assets (liabilities)	<u>\$35,070</u>				<u>\$40,755</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$63,283</u>				<u>\$40,755</u>
Deferred tax liabilities	<u>\$(28,213)</u>				<u>\$ -</u>

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For the year ended 31 December 2021

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance as of 31 December
Temporary differences					
Unrealized foreign exchange gains or losses	\$23,756	\$(5,393)	\$ -	\$ -	\$18,363
Allowance for inventory valuation losses	16,016	(7,358)	-	-	8,658
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	10,133	(303)	-	-	9,830
Exchange differences on translation	8,931	-	(1,057)	-	7,874
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(18,495)	-	(29,225)	19,506	(28,214)
Non-current liability – Defined benefit liability	4,182	-	333	-	4,515
Unrealized transactions within the Group entities	1,969	-	-	-	1,969
Unused tax losses	4,371	(2,087)	-	(2,284)	-
Deferred tax income (expense)		<u>\$(15,141)</u>	<u>\$(29,949)</u>	<u>\$17,222</u>	
Net deferred tax assets (liabilities)	<u>\$62,938</u>				<u>\$35,070</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$81,433</u>				<u>\$63,283</u>
Deferred tax liabilities	<u>\$(18,495)</u>				<u>\$(28,213)</u>

Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets had not been recognized NT\$216,534 thousand and NT\$230,156 thousand, respectively.

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The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Subsidiary-Tien Lung Investment Co., Ltd.	Assessed and approved up to 2020
Subsidiary-Advanced Radar Technology Co.,Ltd.	Assessed and approved up to 2020

(26) Earnings per share

Basic earnings per share amounts were calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts were calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would have been issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the year ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	<u>\$262,577</u>	<u>\$44,706</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>126,821</u>	<u>126,821</u>
Basic earnings per share (NT\$)	<u>\$2.07</u>	<u>\$0.35</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company	<u>\$262,577</u>	<u>\$44,706</u>
Profit attributable to ordinary equity holders of the Company after dilution	<u>\$262,577</u>	<u>\$44,706</u>

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	For the year ended 31 December	
	2022	2021
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	126,821	126,821
Effect of dilution:		
Employee compensation-stock (in thousands)	555	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	127,376	126,821
Diluted earnings per share (NT\$)	\$2.06	\$0.35

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Poris Electronics Co.,Ltd	Associate
AMIT System Service Ltd.	Associate
UEC System Solutions Corporation	Associate
Connection Technology Systems Inc.	Substantive related party
Lightel Technolitics Inc.	Substantive related party

Significant transactions with related parties

(a) Sales

	For the year ended 31 December	
	2022	2021
Associates		
Poris Electronics Co.,Ltd	\$3	\$505
Other related parties		
Connection Technology Systems Inc.	9,294	15,201
Lightel Technolitics Inc.	1,981	9,913
Subtotal	11,275	25,114
Total	\$11,278	\$25,619

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The selling prices to related parties by the Group are not significantly different from those to regular customers. Accounts receivable are generally collected in the form of foreign currency checks or through T/T (wire transfer) within three months from the shipment month, except in cases where the financial condition of the related party requires different arrangements.

(b) Notes Receivable

	As of 31 December	
	2022	2021
Poris Electronics Co.,Ltd	\$3	\$ -

(c) Accounts Receivable

	As of 31 December	
	2022	2021
Other related parties		
Connection Technology Systems Inc.	\$85	\$6,286
Lightel Technologies Inc.	-	838
Total	\$85	\$7,124

(d) Key management personnel compensation

	For the year ended 31 December	
	2022	2021
Short-term employee benefits	\$27,860	\$18,206
Post-employment benefits	503	360
Total	\$28,363	\$18,566

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	Carrying amount		Secured liabilities
	31 Dec. 2022	31 Dec. 2021	
Property, plant and equipment - land	\$148,931	\$142,483	Long-term loans
Property, plant and equipment - buildings	115,825	122,377	Long-term loans
Property, plant and equipment - machinery and equipment	60,712	70,746	Long-term loans
Investment property	48,000	48,000	Long-term loans
Other current assets - restricted assets	208,933	-	Short-term borrowings, Short-term notes and bills payable, and Customs bond
Total	\$582,401	\$383,606	

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9. Commitments and contingencies

(a) The Group provided guarantees notes receivable NT\$2,477,475 thousand for loan to banks for the year ended 31 December 2022.

(b) The important contracts for construction in progress or provision of services

Contracting parties	Contract subject	Total contract price (before tax)	Price paid as of 31 December 2022
Company A	Plant expansion project	\$68,571	\$59,450
Company B	Plant mechanical and electrical equipment	35,048	30,667

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Financial instruments

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$25,951	\$32,245
Financial assets at fair value through other comprehensive income	289,820	537,257
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	623,304	578,495
Financial assets measured at amortized cost	-	13,840
Notes receivables	11,741	3,216
Accounts receivables	853,129	709,718
Other receivables	26,539	18,141
Other current assets - restricted assets	208,933	-
Guarantee deposits paid	1,500	1,341
Subtotal	1,725,146	1,324,751
Total	\$2,040,917	\$1,894,253

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<u>Financial liabilities</u>	As of 31 December	
	2022	2021
Financial liabilities at amortized cost :		
Short-term loans	\$240,800	\$199,526
Notes and accounts payable	44,945	79,971
Accounts payables	941,624	673,849
Others payables	242,589	194,196
Long-term loans (including current portion with maturity less than 1 year)	1,654,172	1,692,242
Lease liability	15,234	9,703
Subtotal	3,139,364	2,849,487
Financial liabilities at fair value through profit or loss :		
Held for trading	957	-
Total	<u>\$3,140,321</u>	<u>\$2,849,487</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

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In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB.

- (a) When NTD strengthens / weakens against USD by 1%, the profit for the periods ended 31 December 2022 and 2021 is decreased / increased by NT\$7,540 thousand and NT\$4,925 thousand, respectively.
- (b) When NTD strengthens / weakens against RMB by 1%, the profit for the periods ended 31 December 2022 and 2021 is increased / decreased by NT\$630 thousand and NT\$429 thousand, respectively.

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Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the periods ended 31 December 2022 and 2021 to increase / decrease by NT\$1,895 thousand and NT\$1,892 thousand, respectively.

Equity price risk

The fair value of the Group's listed, emerging and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed, emerging and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price measured at fair value through profit or loss could increase / decrease the Group's profit for the year ended 31 December 2022 and 2021 by NT\$260 thousand and NT\$322 thousand, respectively.

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At the reporting date, a change of 1% in the price of the listed and emerging companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,546 and NT\$4,212 thousand on the equity attributable to the Group for the year ended 31 December 2022 and 2021, respectively.

Please refer to Note (12)9 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2022 and 2021, amounts receivables from top ten customers represented 57% and 50% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

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(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2022					
Loans	\$1,095,442	\$561,226	\$189,591	\$106,119	\$1,952,378
Short-term notes and bills payable	45,000	-	-	-	45,000
Account payables	941,624	-	-	-	941,624
Other payables	242,589	-	-	-	242,589
Lease liabilities	6,797	6,126	2,500	-	15,423
As of 31 December 2021					
Loans	\$731,860	\$1,058,939	\$125,752	\$19,005	\$1,935,556
Short-term notes and bills payable	80,000	-	-	-	80,000
Account payables	673,849	-	-	-	673,849
Other payables	194,196	-	-	-	194,196
Lease liabilities	6,227	3,600	-	-	9,827

Derivative financial liabilities

None.

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(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term	Short-term notes	Long-term loan (including maturity within a year)	Lease	Other	Total liabilities
	loans	and bills payable		liabilities	non-current liabilities	from financing activities
As of 1 January 2022	\$199,526	\$79,971	\$1,692,242	\$9,703	\$8,373	\$1,989,815
Cash flow	41,274	(35,026)	(38,070)	(8,543)	(1,278)	(41,643)
Non-cash change	-	-	-	13,927	-	13,927
Currency change	-	-	-	147	-	147
As of 31 December 2022	<u>\$240,800</u>	<u>\$44,945</u>	<u>\$1,654,172</u>	<u>\$15,234</u>	<u>\$7,095</u>	<u>\$1,962,246</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term	Short-term notes	Long-term loan (including maturity within a year)	Lease	Other	Total liabilities
	loans	and bills payable		liabilities	non-current liabilities	from financing activities
As of 1 January 2021	\$120,000	\$ -	\$1,852,689	\$8,772	\$5,206	\$1,986,667
Cash flow	79,526	79,971	(160,447)	(10,953)	3,167	(8,736)
Non-cash change	-	-	-	12,001	-	12,001
Currency change	-	-	-	(117)	-	(117)
As of 31 December 2021	<u>\$199,526</u>	<u>\$79,971</u>	<u>\$1,692,242</u>	<u>\$9,703</u>	<u>\$8,373</u>	<u>\$1,989,815</u>

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

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- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 are as follows:

Foreign exchange swaps

The Group entered into foreign exchange swaps to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to foreign exchange swaps:

Items	Amount (in thousands)	Contract Period
As of 31 December 2022		
Foreign exchange swaps	Sell USD 4,500	9 November 2022 – 28 March 2023
As of 31 December 2021		
None.		

The counterparties for the aforementioned derivatives transactions were well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

The foreign exchange swaps have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

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(9) Fair value measurement hierarchy

(a) Definition of fair value hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2022				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$25,951	\$ -	\$ -	\$25,951
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	154,621	-	135,199	289,820
Financial liabilities at fair value through profit or loss				
Foreign exchange swaps	-	957	-	957

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As at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$32,245	\$ -	\$ -	\$32,245
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	421,235	-	116,022	537,257

Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

The adjustments to the balances of assets and liabilities measured at fair value using Level 3 in the fair value hierarchy for the Group's recurring fair value measurements are presented as follows :

	Assets	
	At fair value through other comprehensive income	
	Stocks	
	For the year ended 31 December	
	2022	2021
Beginning balances	\$116,022	\$103,160
Total gains and losses recognized for the year:		
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	(423)	(9,143)
Acquisition	19,600	26,785
Disposal	-	(2,783)
The return of paid-in capital for capital reduction	-	(1,997)
Ending balances	<u>\$135,199</u>	<u>\$116,022</u>

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$1,352 thousand

As of 31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT\$1,160 thousand

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(c) Disclosure of Fair Value Hierarchy Information for Non-Fair Value Measurements

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:	\$ -	\$ -	\$143,736	\$143,736
Investment property (please refer to Note 6(10))				

As of 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6(10))	\$-	\$ -	\$143,736	\$143,736

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	<u>As of 31 December 2022</u>			<u>As of 31 December 2021</u>		
	Foreign	Foreign		Foreign	Foreign	
	currencies	exchange		currencies	exchange	
		rate	NTD		rate	NTD
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$48,102	30.710	\$1,477,216	\$37,242	27.680	\$1,030,853
RMB	16,410	4.408	72,334	19,185	4.344	83,340
<u>Financial liabilities</u>						
<u>Monetary items:</u>						
USD	23,551	30.710	723,243	19,448	27.680	538,330
RMB	30,706	4.408	135,352	29,063	4.344	126,248

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The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT\$60,570 thousand and NT\$ (31,929) thousand foreign exchange gain (loss) for the year ended 31 December 2021 and 2022, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others : Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others : Please refer to Attachment 2.
- (c) Securities held as of 31 December 2022 (excluding the portion related to investments in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock : None
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock : None.

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- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock : None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock : Please refer to Attachment 4.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 5.
- (i) Financial instruments and derivative transactions : Please refer to Note 12 (8).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022 (excluded the information on investments in mainland China) : Please refer to Attachment 7.

(3) Information on investments in mainland China

- (a) The Group's investments in mainland China through Global Development Company Ltd. included names, main businesses and products, total amount of paid-in capital, method of investment, Investment flow situation, percentage of ownership, investment income (loss) recognized, carrying value as of 31 December 2022, accumulated inward remittance of earnings as of 31 December 2022 and upper limit on investment in mainland China: Please refer to Attachment 8.

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- (b) Significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 1,2,4,5 and 6.

(4) Information of major shareholders

Stocks	Quantity of shares	shareholding
Major shareholders		
OU, CHENG-MING	34,870,964	27.38%
OUMEIYA INVESTMENT CO.,LTD	12,693,541	9.96%

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (a) Magnetic Component & Power product department: The department is responsible for the production of electronic components.
- (b) Information and communication product department: The department was responsible for the production of OEM and ODM information and communication products.
- (c) Optical communication product office: The department was responsible for the production of optical communication equipment products.
- (d) Optoelectronics operations department: The department was responsible for the production of optoelectronic products. The group had ceased the operation of the optoelectronics department in 2021.
- (e) Others: Mainly involves the trading of raw materials and acting as a purchasing agent for commodities.

Operating segments have been aggregated to be reported as aforementioned operating segments.

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Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

1. Information on profit or loss, assets and liabilities of the reportable segment :

For the year ended 31 December 2022

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others	Adjustment and elimination	Group total
Revenue						
External customer	\$2,688,226	\$2,088,962	\$24,527	\$32,474 ¹	\$ -	\$4,834,189
Inter-segment	2,024,957	1,573,550	18,475	24,462	(3,641,444) ²	-
Total revenue	<u>\$4,713,183</u>	<u>\$3,662,512</u>	<u>\$43,002</u>	<u>\$56,936</u>	<u>\$(3,641,444)</u>	<u>\$4,834,189</u>
Segment profit	<u>\$150,558</u>	<u>\$207,317</u>	<u>\$(88,813)</u>	<u>\$60,426</u>	<u>\$(631)</u>	<u>\$328,857</u>

For the year ended 31 December 2021

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Optoelectronics operations department	Others	Adjustment and elimination	Group total
Revenue							
External customer	\$2,184,302	\$1,755,837	\$33,634	\$28,072	\$38,509 ¹	\$ -	\$4,040,354
Inter-segment	1,749,147	1,406,039	26,933	22,479	30,837	(3,235,435) ²	-
Total revenue	<u>\$3,933,449</u>	<u>\$3,161,876</u>	<u>\$60,567</u>	<u>\$50,551</u>	<u>\$69,346</u>	<u>\$(3,235,435)</u>	<u>\$4,040,354</u>
Segment profit	<u>\$17,957</u>	<u>\$146,269</u>	<u>\$(76,258)</u>	<u>\$(26,194)</u>	<u>\$(2,405)</u>	<u>\$(631)</u>	<u>\$58,738</u>

¹ Revenue from departments whose nature cannot be classified that do not meet the quantitative thresholds for reportable segments.

² Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

2. The adjustments on profit or loss, assets and liabilities of the reportable

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segment :

There were no adjustments required for segment revenue, profit or loss, assets, liabilities, or other significant items for the year ended 31 December 2022 and 2021.

3. Geographical information

Revenue from external customers:

	For the year ended 31 December	
	2022	2021
Asia	\$1,224,934	\$1,232,305
United States	2,134,133	1,524,417
Taiwan	1,311,216	1,106,034
Other countries	163,906	177,598
Total	<u>\$4,834,189</u>	<u>\$4,040,354</u>

The revenue information above is based on the location of the customers.

Non-current assets:

	As of 31 December	
	2022	2021
China	\$455,420	\$495,055
Taiwan	672,218	627,590
Vietnam	228,427	235,394
Other countries	333	781
Total	<u>\$1,356,398</u>	<u>\$1,358,820</u>

Non-current assets includes property, plant and equipment, right-of-use assets, investment property, and other non-current assets.

4. Information about major customers

	As of 31 December	
	2022	2021
Customer A	<u>\$1,592,884</u>	<u>\$1,156,001</u>

Attachment 1: Financing provided to others

No.	Lender (Note 1)	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 6)	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	The Company	UMEC VIETNAM Co., Ltd.	Other receivables	Y	\$122,840	\$122,840	\$ -	0.00%	1	\$166,291	-	\$ -	-	\$ -	\$166,291 (Note2)	\$814,296 (Note2)
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	368,520	368,520	337,810	1.30%- 1.62%	1	2,361,233	-	-	-	-	814,296 (Note3)	814,296 (Note3)
1	UMEC (B.V.I.)	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	92,130	92,130	-	0.00%	2	-	-	-	-	-	233,876 (Note4)	233,876 (Note4)
2	Global	UMEC VIETNAM Co., Ltd.	Other receivables	Y	15,355	-	-	0.00%	2	-	Need for operating	-	-	-	212,696 (Note5)	212,696 (Note5)
2	Global	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	61,420	61,420	-	0.00%	2	-	Need for operating	-	-	-	212,696 (Note5)	212,696 (Note5)

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Note 2: UMEC VIETNAM Co., Ltd. had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT\$2,035,740 thousand as of December 31, 2022.

Individual loan amounts were limited to the extent of the business transactions between the two parties.

The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount was less than 40% of the Company's net worth.

Therefore, the individual loan amounts were limited to the extent of the business transaction amount between the two parties.

Note 3: JA-LONG TECHNOLOGY CO., LTD.(Shenzhen) had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT\$2,035,740 thousand as of December 31, 2022.

Individual loan amounts were limited to the extent of the business transactions between the two parties.

The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount exceeded 40% of the Company's net worth as of December 31, 2022.

Therefore, the individual loan amounts were limited to 40% of the audited net worth of NT\$2,035,740 thousand as of December 31, 2022.

Note 4: The loan amount was calculated based on 60% of the audited net worth of UMEC (B.V.I.) as of December 31, 2022, which amounted to NT\$389,794 thousand.

Note 5: The loan amount was calculated based on 60% of the audited net worth of Global as of December 31, 2022, which amounted to NT\$354,494 thousand.

Note 6: To fill in the nature of the loan, please follow the instructions below:

(1) If there is a business transaction, please fill in "1".

(2) If there is a need for short-term financing, please fill in "2".

Attachment 2: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	2	\$407,148	\$220,400	\$220,400	\$ -	\$ -	10.83%	\$814,296	Y	N	Y
1	UMEC (B.V.I.)	The Company	2	97,449	76,775	30,710	-	-	7.88%	116,938	N	Y	N
2	Global	The Company	2	106,348	46,065	46,065	-	-	12.99%	124,073	N	Y	N

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: 1. Limit of guarantee/endorsement amount for a single enterprise by the Company is limited to 20% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$2,035,740 thousand.
2. Limit of guarantee/endorsement amount for a single enterprise by UMEC (B.V.I.) is limited to 25% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$389,794 thousand.
3. Limit of guarantee/endorsement amount for a single enterprise by Global is limited to 30% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$354,494 thousand.

Note 4: 1. The total limit of guarantee/endorsement amount by the Company is limited to 40% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$2,035,740 thousand.
2. The total limit of guarantee/endorsement amount by UMEC (B.V.I.) is limited to 30% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$389,794 thousand.
3. The total limit of guarantee/endorsement amount by Global is limited to 35% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$354,494 thousand.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsees for subsidiary, subsidiary guarantees/endorsees for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type of securities	Name of securities	Relationship (Note 1)	Financial statement account	As of 31 December 2022				Note
					Shares	Carrying amount	Percentage of ownership (%)	Fair value	
Tien Lung Investment Co., Ltd.	Stocks	LELON ELECTRONICS CORP.	-	Financial assets at fair value through profit or loss- current	484,153 shares	\$25,951	0.30%	\$25,951	-
				Subtotal		\$25,951		\$25,951	
Tien Lung Investment Co., Ltd.	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	34,327 shares	\$2,114	0.03%	\$2,114	-
Tien Lung Investment Co., Ltd.	Stocks	INTEGRATED DIGITAL TECHNOLOGIES, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	279,129 shares	-	0.97%	-	-
Tien Lung Investment Co., Ltd.	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	62,044 shares	432	0.13%	432	-
Tien Lung Investment Co., Ltd.	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	195,192 shares	-	2.87%	-	-
The Company	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	50,567 shares	3,115	0.05%	3,115	-
The Company	Stocks	Partner Tech Corp.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	649,151 shares	13,275	0.86%	13,275	-
The Company	Stocks	Connection Technology Systems Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	4,481,726 shares	119,662	14.10%	119,662	-
The Company	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,208,872 shares	8,535	2.57%	8,535	-
The Company	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	457,921 shares	-	6.73%	-	-
The Company	Stocks	SysJust Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	221,015 shares	16,455	0.84%	16,455	-
The Company	Stocks	AESOPower, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,088,976 shares	8,709	10.44%	8,709	-
The Company	Stocks	Hannlync Technologies Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	700,000 shares	-	0.73%	-	-
The Company	Stocks	Lightel Technoloxics Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	5,082,027 shares	76,930	19.47%	76,930	-
The Company	Stocks	Silver PAC Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,809,609 shares	-		-	-
The Company	Stocks	Terasilic Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	535,523 shares	2,621	1.83%	2,621	-
The Company	Stocks	Phoenix 3 Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,000,000 shares	13,592	8.70%	13,592	-
The Company	Stocks	LIEN SHEN ELECTRONICS CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	500,000 shares	4,780	14.29%	4,780	-
The Company	Stocks	GaN Power Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,400,000 shares	19,600	4.50%	19,600	-
				Subtotal		\$289,820		\$289,820	

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Credit period	Unit price	Credit period	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Purchase	\$2,361,233	46.75%	Collected over a specific period	\$ -	-	\$ -	-%	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Sales	918,908	16.33%	Collected over a specific period	-	-	383,948	31.14%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Sales	2,361,233	95.60%	Collected over a specific period	-	-	-	-%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Purchase	918,908	54.07%	Collected over a specific period	-	-	(383,948)	(55.79)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Accounts receivable \$383,948	1.94	\$ -	-	\$ -	\$ -
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Other receivables \$339,415	-	-	-	-	-

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets(Note3)
0	The Company	UMEC VIETNAM Co., Ltd.	1	Processing fees	\$166,291	(Note 4)	3.44%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Sales	918,908	(Note 4)	19.01%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Accounts receivable	383,948	(Note 4)	6.92%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Purchase	2,361,233	(Note 4)	48.84%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Other receivables	339,415	(Note 4)	6.12%

Note 1: The Company is coded "0".The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: The transaction terms include collecting payments over a specified period.

Attachment 7: Names, locations, main businesses and products, original investment amount, net income (loss) of investee company and investment income (loss) recognized: (Excluding investment in Mainland China)

Investor	Investee company (Note1)	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousand shares)	Percentage of ownership (%)	Book value			
The Company	UMEC (B.V.I.)	Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola ,VG1110 ,BRITISH VIRGIN ISLANDS	Investment and holding company	\$997,418	\$1,325,231	30,398	100.00%	\$346,399	\$77,554	\$65,832	Note
The Company	Tien Lung Investment Co., Ltd.	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City, Taiwan (R.O.C.)	Investment company	88,000	88,000	8,800	100.00%	49,321	(6,882)	(6,882)	
The Company	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwan (R.O.C.)	Manufacturing and sales of electronic parts and components	42,559	42,559	4,256	84.78%	20,381	(11,704)	(9,923)	
The Company	AMIT SYSTEM SERVICE LTD.	4F., No.149, Wugong Rd., Wugu Dist., New Taipei City 248, Taiwan (R.O.C.)	Electronic information supply services industry	11,780	11,780	1,178	14.75%	3,139	(10,613)	(1,880)	
The Company	PT UMEC Green Tech Indonesia	Ketapang Business Centre,Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	Manufacturing and sales of electronic parts and components	3,519	3,519	-	60.00%	-	-	-	
				USD 114,600	USD 114,600						
The Company	UEC System Solutions Corporation Limited	5th Floor, No. 219, Xinhua 2nd Road, Neihu District, Taipei City, Taiwan (R.O.C.)	IoT product applications and services and electronic product trading	6,000	6,000	1,500	13.89%	3,389	(3,401)	(473)	
The Company	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply.	1,368	-	-	100.00%	1,339	17	17	
The Company	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	43,013	-	500	99.99%	47,760	61	61	
UMEC (B.V.I.)	UMEC (H.K.)	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	Established in Hongkong to handle export shipping affairs of China.	7,018	7,018	1,782	100.00%	12,614	1,592	1,592	
				HKD 1,782,000	HKD 1,782,000						
UMEC (B.V.I.)	Global	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	Investment and holding company	941,315	1,157,802	30,652	100.00%	354,494	62,843	62,843	
				USD 30,651,744	USD 37,701,154						
UMEC (B.V.I.)	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	-	15,355	-	-%	-	-	-	
				-	USD 499,999						
Global	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	276,500	276,500	-	100.00%	70,970	(12,009)	(12,009)	
				USD 9,003,574	USD 9,003,574						
Global	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board	-	1,544	-	-%	-	-	-	
				-	USD 50,262.69						
Tien Lung Investment Co., Ltd.	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwan (R.O.C.)	Manufacturing and sales of electronic parts and components	5,420	5,420	542	10.80%	2,596	(11,704)	(1,264)	
Tien Lung Investment Co., Ltd.	PORIS ELECTRONICS CO., LTD.	11 F., No. 866-7, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Electronic information supply services industry	10,400	10,400	1,202	33.55%	6,744	(2,037)	(684)	

Note: The investment income recognized in the current period includes the investment gains or losses generated by the investee company due to favorable or unfavorable market conditions.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow						
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	\$542,032	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	\$537,425	\$ -	\$ -	\$537,425	\$79,589	100.00%	\$79,589	\$198,336	\$ -
		USD 17,650,000		USD 17,500,000			USD 17,500,000					
UMEC Wuhan Company Limited	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	184,260	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	184,260	-	-	184,260	-	-%	-	(Note 4)	-
		USD 6,000,000		USD 6,000,000			USD 6,000,000					
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	18,426	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	18,426	-	-	18,426	(3,700)	100.00%	(3,700)	(15,632)	-
		USD 600,000		USD 600,000			USD 600,000					
UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer	92,130	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	92,130	-	-	92,130	(7,184)	100.00%	(7,184)	79,440	-
		USD 3,000,000		USD 3,000,000			USD 3,000,000					

Accumulated Investment in Mainland China as of 31 December 2022	Investment Amounts Authorized by Investment Commission, MOEA (Note1)	Upper Limit on Investment (Note2)
\$832,241	\$912,333	\$1,221,444

Note 1: The Investment Commission of the Ministry of Economic Affairs has approved an investment amount of USD 29,708 thousand.

Note 2: According to Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

Note 3: The aforementioned amount in foreign currency will be converted into New Taiwan Dollars using the exchange rate on the balance sheet date.

Note 4: The company obtained the approval for deregistration from the Administration for Industry and Commerce of Ma'anshan City on November 16, 2018.

The liquidation process was completed on January 17, 2019, and the company received the notification letter of filing for deregistration from the Investment Commission of the Ministry of Economic Affairs on June 9, 2022.

Appendix 2 : The Company's parent company only financial statement
for the most recent year certified by CPAs

UNIVERSAL MICROELECTRONICS CO., LTD.

**PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS**

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

Address: 3,27TH RD.,Taichung Industrial Park.Taichung, Taiwan, R.O.C.
Telephone: 886-4-23590096

The reader is advised that parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report Translated from Chinese

To UNIVERSAL MICROELECTRONICS Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of UNIVERSAL MICROELECTRONICS Co., Ltd. (the “Company”) as of 31 December 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2022 and 2021, and its financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China; Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, 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 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of accounts receivable

As of 31 December 2022, gross accounts receivable and loss allowance by the Company amounted to NT\$1,223,053 thousand and NT\$1,993 thousand, respectively. Net accounts receivable accounted for 24% of total assets, which was significant to the Company's financial statements. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the effectiveness of internal controls around accounts receivable management, including performing simple tests by sampling and understanding management's assessment for expected credit losses of accounts receivable, dividing the expected loss rate of risk group and each group, selecting samples to perform the accounts receivable confirmation, analyzing trends of changes in account receivable of prior and subsequent periods and turnover rates, reviewing the collection in subsequent period to assess their recoverability, and performing assessment of the reasonableness of impairment for individual long term accounts receivable. We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

2. Valuation for inventories (Including inventories of the subsidiaries under the equity method)

The amount of inventories of the Company and its subsidiaries was significant to the financial statements. Due to uncertainty arising from rapid changes in product technology, the provision for valuation loss, sluggish or obsolete inventories involves major judgments by the management. We therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluate the effectiveness of the internal control established by the management for inventory, including performing simple tests and understanding the appropriateness of the management's assessment of inventory evaluation policies and methods, evaluating the management's stocktaking plan and conducting inventory inspections on the spot, obtain the inventory aging table and test the correctness of the inventory age, re-calculating the unit cost of inventories, and evaluating and testing net realizable value adopted by management. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements 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.

Lo, Wen Chen

Huang, Tzu Ping

Ernst & Young, Taiwan

16 March 2023

Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY BALANCE SHEETS
 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2022	2021
Current assets			
Cash and cash equivalents	4,6(1)	\$344,047	\$293,090
Notes receivable, net	4,7	11,741	3,216
Accounts receivable, net	4,6(2)	836,144	671,838
Accounts receivable due from related parties, net	4,6(2),7	384,916	568,710
Other receivables	4	20,520	11,519
Other receivable due from related parties, net	4,7	340,527	394,480
Current tax assets		-	212
Current inventories	4,6(3)	1,344,998	836,926
Prepayments	7	87,195	95,459
Other current assets	4,6(4)	207,917	7,238
Total current assets		3,578,005	2,882,688
Non-current assets			
Non-current financial assets at fair value through other comprehensive income	4,6(5)	287,274	534,632
Investments accounted for using equity method	4,6(6)	471,728	526,348
Property, plant and equipment	4,6(7)	505,165	496,121
Right-of-use assets	4,6(18)	2,948	4,087
Investment property, net	4,6(8)	103,254	103,729
Intangible assets	4	6,714	6,342
Deferred tax assets	4,6(22)	40,755	61,314
Other non-current assets	7	147,299	11,667
Total non-current assets		1,565,137	1,744,240
Total assets		\$5,143,142	\$4,626,928

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY BALANCE SHEETS
 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2022	2021
Current liabilities			
Current borrowings	4,6(9)	\$240,800	\$199,526
Short-term notes and bills payable	4,6(10)	44,945	79,971
Current financial liabilities at fair value through profit or loss	4,6(11)	957	-
Current contract liabilities	6(16)	228,452	90,837
Accounts payable		635,193	465,292
Other payables	6(12),7	173,380	121,813
Current tax liabilities	4	66,073	7,901
Current lease liabilities	4,6(18)	2,263	1,834
Long-term borrowings, current portion	4,6(13)	844,877	527,559
Other current liabilities, others		10,500	13,406
Total current liabilities		<u>2,247,440</u>	<u>1,508,139</u>
Non-current liabilities			
Non-current portion of non-current borrowings	4,6(13)	809,295	1,164,683
Deferred tax liabilities	4,6(22)	-	28,213
Non-current lease liabilities	4,6(18)	721	2,281
Net defined benefit liability, non-current	4,6(14)	47,707	62,868
Other non-current liabilities, others		2,239	3,569
Total non-current liabilities		<u>859,962</u>	<u>1,261,614</u>
Total liabilities		<u>3,107,402</u>	<u>2,769,753</u>
Equity	4,6(15)		
Share capital			
Ordinary share		1,273,592	1,273,592
Capital surplus		373,076	370,396
Retained earnings			
Legal reserve		11,494	4,699
Special reserve		135,032	281,724
Unappropriated retained earnings		581,301	67,947
Total retained earnings		<u>727,827</u>	<u>354,370</u>
Other equity interest		(332,604)	(135,032)
Treasury shares		(6,151)	(6,151)
Total equity		<u>2,035,740</u>	<u>1,857,175</u>
Total liabilities and equity		<u>\$5,143,142</u>	<u>\$4,626,928</u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2022	2021
Operating revenue	4,6(16),7	\$5,627,188	\$4,647,604
Operating costs	4,6(19),7	(5,070,377)	(4,172,674)
Gross profit from operations		<u>\$556,811</u>	<u>474,930</u>
Unrealized profit (loss) from sales		(104)	(105)
Realized profit (loss) on from sales		105	131
Gross profit from operations		<u>\$556,812</u>	<u>474,956</u>
Operating expenses	4,6(19),7		
Selling expenses		(80,262)	(74,311)
Administrative expenses		(154,969)	(131,136)
Research and development expenses		(193,747)	(204,654)
Impairment loss (impairment gain and reversal of impairment loss)	6(17)	(282)	985
Total operating expenses		<u>(429,260)</u>	<u>(409,116)</u>
Net operating income		<u>127,552</u>	<u>65,840</u>
Non-operating income and expenses	4,6(20),7		
Interest revenue		9,770	5,614
Other income		15,907	19,394
Other gains and losses		155,916	(22,024)
Finance costs		(32,597)	(26,208)
Share of profit (loss) of associates and joint ventures accounted for using equity method	4,6(6)	46,752	8,191
Total non-operating income and expenses		<u>195,748</u>	<u>(15,033)</u>
Profit from continuing operations before tax		<u>323,300</u>	<u>50,807</u>
Tax expense	4,6(22)	<u>(60,723)</u>	<u>(6,101)</u>
Profit		<u>262,577</u>	<u>44,706</u>
Other comprehensive income	4,6(21)		
Components of other comprehensive income that will not be reclassified to profit or loss			
Gains (losses) on remeasurements of defined benefit plans		13,519	(1,667)
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(115,163)	250,593
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(77)	48
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		3,597	(28,892)
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation		13,090	5,287
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		<u>(1,658)</u>	<u>(1,057)</u>
Total other comprehensive income		<u>(86,692)</u>	<u>224,312</u>
Total comprehensive income		<u>\$175,885</u>	<u>\$269,018</u>
Basic earnings per share (NTD)			
Basic earnings per share	6(23)	<u>\$2.07</u>	<u>\$0.35</u>
Diluted earnings per share		<u>\$2.06</u>	<u>\$0.35</u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest		Treasury shares	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		
Balance as of 1 January 2021	\$1,273,592	\$369,437	\$4,699	\$335,229	\$(107,884)	\$(34,294)	\$(247,430)	\$(6,151)	\$1,587,198
Appropriation and distribution of 2020 retained earnings									
Reversal of special reserve				(53,505)	53,505				-
Changes in equity of associates and joint ventures accounted for using equity method		959							959
Profit in 2021					44,706				44,706
Other comprehensive income in 2021					(1,334)	4,230	221,416		224,312
Total comprehensive income	-	-	-	-	43,372	4,230	221,416	-	269,018
Disposal of investments in equity instruments designated at fair value through other comprehensive income					78,954		(78,954)		-
Balance as of 31 December 2021	<u>\$1,273,592</u>	<u>\$370,396</u>	<u>\$4,699</u>	<u>\$281,724</u>	<u>\$67,947</u>	<u>\$(30,064)</u>	<u>\$(104,968)</u>	<u>\$(6,151)</u>	<u>\$1,857,175</u>
Balance as of 1 January 2022	\$1,273,592	\$370,396	\$4,699	\$281,724	\$67,947	\$(30,064)	\$(104,968)	\$(6,151)	\$1,857,175
Appropriation and distribution of 2021 retained earnings									
Legal reserve appropriated			6,795		(6,795)				-
Reversal of special reserve				(146,692)	146,692				-
Changes in equity of associates and joint ventures accounted for using equity method		2,680							2,680
Profit in 2022					262,577				262,577
Other comprehensive income in 2022					10,815	11,432	(108,939)		(86,692)
Total comprehensive income	-	-	-	-	273,392	11,432	(108,939)	-	175,885
Disposal of investments in equity instruments designated at fair value through other comprehensive income					100,065		(100,065)		-
Balance as of 31 December 2022	<u>\$1,273,592</u>	<u>\$373,076</u>	<u>\$11,494</u>	<u>\$135,032</u>	<u>\$581,301</u>	<u>\$(18,632)</u>	<u>\$(313,972)</u>	<u>\$(6,151)</u>	<u>\$2,035,740</u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from operating activities:		
Profit from continuing operations before tax	\$323,300	\$50,807
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	61,097	63,886
Amortization expense	8,694	9,504
Expected credit loss (gain)	282	(985)
Net loss on financial assets or liabilities at fair value through profit or loss	957	-
Interest expense	32,597	26,208
Interest income	(9,770)	(5,614)
Dividend income	(2,700)	(4,240)
Share of gain of associates and joint ventures accounted for using equity method	(46,752)	(8,191)
Loss on disposal of investments	9,662	-
Reversal of impairment loss on non-financial assets	-	(16,147)
Unrealized profit (loss) from sales	104	105
Realized loss (profit) on from sales	(105)	(131)
Total adjustments to reconcile profit (loss)	(1,631)	(603)
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(8,525)	1,873
Decrease (increase) in accounts receivable	19,206	(75,816)
(Increase) decrease in other receivable	(50,990)	14,621
Increase in inventories	(508,072)	(302,694)
Decrease (increase) in prepayments	8,264	(45,044)
Decrease (increase) in other current assets	6,920	(6,646)
Increase in contract liabilities	137,615	44,650
Increase (decrease) in accounts payable	169,901	(25,705)
Increase in other payable	51,259	4,348
Decrease in other current liabilities	(2,906)	(450)
Decrease in net defined benefit liability	(1,642)	(1,514)
Cash inflow (outflow) generated from operations	196,765	(277,778)
Interest received	9,881	7,539
Dividends received	8,897	4,240
Interest paid	(32,289)	(26,312)
Income taxes paid	(8,054)	(281)
Net cash flows from (used in) operating activities	175,200	(292,592)

(Continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 UNIVERSAL MICROELECTRONICS CO., LTD.
 PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS(Continued)
 For the years ended 31 December 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(19,600)	(28,248)
Proceeds from disposal of financial assets at fair value through other comprehensive income	151,795	132,510
Proceeds from capital reduction of financial assets at fair value through other comprehensive inc	-	1,997
Proceeds from capital reduction of investments accounted for using equity method	102,838	-
Acquisition of property, plant and equipment	(67,674)	(59,875)
Acquisition of intangible assets	(7,221)	(6,882)
(Increase) decrease in other financial assets	(207,599)	2
Increase in other non-current assets	(41,646)	(4,484)
Net cash flows (used in) from investing activities	(89,107)	35,020
Cash flows from financing activities:		
Increase in short-term loans	41,274	79,526
(Decrease) increase in short-term notes and bills payable	(35,026)	79,971
Proceeds from long-term debt	752,200	492,943
Repayments of long-term debt	(790,270)	(653,390)
Payments of lease liabilities	(1,984)	(1,833)
Decrease in other non-current liabilities	(1,330)	(429)
Net cash used in financing activities	(35,136)	(3,212)
Net increase (decrease) in cash and cash equivalents	50,957	(260,784)
Cash and cash equivalents at beginning of period	293,090	553,874
Cash and cash equivalents at end of period	\$344,047	\$293,090

(The accompanying notes are an integral part of the parent company only financial statements)

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Year Ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

UNIVERSAL MICROELECTRONICS Co., Ltd. (the Company) was incorporated in Republic of China (R.O.C) on 18 February 1984. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in 1998 and were listed on the Taiwan Stock Exchange on 11 September 2000. Its registered location and main operational base were situated at No. 3, Industrial Road 27, Nantun District, Taichung City.

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 16 March 2023.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2022. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on The Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023 have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Summary of significant accounting policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the year ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of Preparation

The Company prepared the parent company only financial statements in accordance with the Regulations. According to the Article 21 of the Regulation, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Foreign Currency Transactions

The Company’s parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NT\$). Items included in the financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions.

UNIVERSAL MICROELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or 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.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an 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 the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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(6) Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Company's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

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- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

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Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

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- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

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Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative financial instruments

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average cost method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for under the equity method

According to Article 21 of the Regulation, the Company's investment in subsidiaries was presented as "Investments accounted for using equity method" and made necessary adjustments. The profit or loss during the period and other comprehensive income presented in the parent company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis, and the shareholders' equity presented in the parent company only financial statements shall be the same as the equity attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis. The adjustment was considered the difference between investment in subsidiaries in consolidated financial statements according to IFRS 10 "Consolidated financial statements" and application of IFRS to different reporting entities, debit/credit "Investment accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures" or "Share of other comprehensive profit or loss of subsidiaries, associates and joint

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ventures” etc.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. Joint venture means the Company has rights to the net assets of the joint agreement (with joint controller).

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture 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 or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company’s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Company’s interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the

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Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

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(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	20~40 years
Machinery and equipment	6~10 years
Transportation equipment	5~10 years
Office equipment	3~10 years
Other equipment	2~15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

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(13) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

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(14) Leases

The Company assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset 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.

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The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

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(15) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Patents	Computer software	Others
Useful lives	10 years	10 years	2~5 years
Amortization method used	Amortized on a straight-line basis over the period of the patent	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

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(16) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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(18) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company are computer peripherals, connectors, wires and other parts and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 10 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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(21) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(22) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in

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profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

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- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

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The preparation of the parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that The Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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(3) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(4) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

Please refer to Note 6 for more details of the unrecognized deferred income tax assets as of 31 December 2022.

(5) Accounts receivables—estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive

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(evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(6)Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2022	2021
Cash on hand	\$2,058	\$2,086
Demand deposits	341,989	291,004
Total	<u>\$344,047</u>	<u>\$293,090</u>

(2) Accounts receivables and accounts receivable - related parties

	As of 31 December	
	2022	2021
Accounts receivables	\$838,137	\$673,584
Less: loss allowance	(1,993)	(1,746)
Subtotal	836,144	671,838
Accounts receivable – related parties	384,916	568,710
Total	<u>\$1,221,060</u>	<u>\$1,240,548</u>

Accounts receivables were not pledged.

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Accounts receivables are generally on 10-150 day terms. The total carrying amount as of 31 December 2022 and 31 December 2021 were NT\$1,223,053 thousand and NT\$1,242,294 thousand, respectively. Please refer to Note 6(17) for more details on loss allowance of accounts receivables for the year ended 31 December 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(3) Inventories

	As of 31 December	
	2022	2021
Raw materials	\$948,512	\$511,488
Supplies & parts	27,920	20,611
Work in progress	17,449	9,393
Finished goods	118,725	68,778
Merchandise	232,392	226,656
Total	<u>\$1,344,998</u>	<u>\$836,926</u>

The cost of inventories recognized as operating costs for the year ended 31 December 2022 and 2021 were NT\$5,070,377 thousand and NT\$4,172,674 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT\$12,148 thousand and NT\$36,791 thousand.

The gain from price recovery of inventories in 2022 was due to the selling slow-moving inventories that was originally provided for write-down. The gain from price recovery of inventories in 2021 was due to the scrapping of the portion of inventories that was originally provided for write-down.

No inventories were pledged.

(4) Other current assets

	As of 31 December	
	2022	2021
Restricted deposit	\$207,599	\$ -
Temporary debits	279	7,222
Other assets	39	16
Total	<u>\$207,917</u>	<u>\$7,238</u>

Please refer to Note 8 for more details on other current assets under pledge.

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(5) Financial assets at fair value through other comprehensive income

	As of 31 December	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income – Non-current		
Listed companies stocks	\$122,777	\$370,059
Emerging companies stocks	29,730	48,992
Unlisted companies stocks	134,767	115,581
Total	<u>\$287,274</u>	<u>\$534,632</u>

In 2022, the Company disposed of the listed stocks and emerging stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$151,795 thousand and the cumulative disposal loss of NT\$100,065 thousand was transferred from other components of equity to retained earnings.

In 2021, the Company disposed of the listed stocks and unlisted stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$129,727 thousand and NT\$2,783 thousand, and the cumulative disposal gain of NT\$78,954 thousand was transferred from other components of equity to retained earnings.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the year ended 31 December 2022 and 2021 are as follow:

	For the year ended	
	2022	2021
Related to investments held at the end of the reporting period	\$2,700	\$2,975
Related to investments derecognized during the period	-	1,265
Dividends recognized during the period	<u>\$2,700</u>	<u>\$4,240</u>

Financial assets at fair value through other comprehensive income were not pledged.

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(6) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

Investees	As of 31 December			
	2022		2021	
	Amount	%	Amount	%
Investments in subsidiaries:				
UMEC Investment Co.,Ltd.	\$346,399	100.00%	\$427,366	100.00%
Tien Lung Investment Co., Ltd.	49,321	100.00%	62,477	100.00%
Advanced Radar Technology Co.,Ltd.	20,381	84.78%	30,304	84.78%
UMEC JAPAN CO., LTD.	1,339	100.00%	-	-%
UMEC USA, Inc.	47,760	99.99%	-	-%
PT UMEC Green Tech Indonesia	-	60.00%	-	60.00%
Subtotal	465,200		520,147	
Investments in associates:				
AMIT System Service Ltd.	3,139	14.75%	2,339	19.67%
UEC System Solutions Corporation	3,389	13.89%	3,862	13.89%
Subtotal	6,528		6,201	
Total	\$471,728		\$526,348	

(1)For the year ended 31 December 2022 and 2021, the Company recognized share of profit or loss of subsidiaries and associates, and the details are as follows:

Investees	For the year ended 31 December	
	2022	2021
UMEC Investment Co.,Ltd.	\$65,832	\$20,537
Tien Lung Investment Co., Ltd.	(6,882)	889
Advanced Radar Technology Co.,Ltd.	(9,923)	(11,106)
AMIT System Service Ltd.	(1,880)	(1,135)
UEC System Solutions Corporation	(473)	(994)
UMEC JAPAN CO., LTD.	17	-
UMEC USA, Inc.	61	-
PT UMEC Green Tech Indonesia	-	-
Total	\$46,752	\$8,191

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(2) For the year ended 31 December 2022 and 2021, the Company recognized exchange differences on translation of foreign operations accounted for using equity method, and the details are as follows:

Investees	For the year ended 31 December	
	2022	2021
UMEC Investment Co.,Ltd.	\$8,346	\$5,287
UMEC JAPAN CO., LTD.	(46)	-
UMEC USA, Inc.	4,790	-
PT UMEC Green Tech Indonesia	-	-
Total	\$13,090	\$5,287

(3) Investments in subsidiaries

Investing subsidiaries was expressed as “Investments accounted for under the equity method” in the parent company only financial statements, and was made the adjustment which was necessary.

In 2022, Tien Lung Investment Co., Ltd. repatriated a total of NT\$6,197 thousand in earnings, which was recorded as a deduction in the equity-method investment.

In 2022, the Company reduced its shareholding in UMEC Investment Co., Ltd. by 5,720 shares to offset losses, and reduced its shareholding by 5,083 shares due to the return of capital. The Company received a total of NT\$102,838 thousand in refunded capital.

The Company adjusted its investment structure in 2022 and transferred UMEC (USA), a subsidiary of UMEC (B.V.I.) and Universal (Japan), a subsidiary of Global, 100% ownership to the Company.

(4) Investments in associates

The Company has 14.75% of the voting rights in AMIT System Service Ltd.. Although the Company’s shareholding does not exceed 20%, due to serving as a director, it is presumed that the Company has significant influence over it.

The Company has 13.89% of the voting rights in UEC System Solutions Corporation. Although the Company’s shareholding does not exceed 20%, due to serving as a director, it is presumed that the Company has significant influence over it.

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The Company's investments in the companies above are not individually material. The aggregate financial information of the Company's share of its associates is as follows:

	For the year ended 31 December	
	2022	2021
Profit from continuing operations	\$(2,353)	\$(2,129)
Other comprehensive income (net of tax)	-	-
Total comprehensive income	<u>\$(2,353)</u>	<u>\$(2,129)</u>

The associates had no contingent liabilities or capital commitments as of 31 December 2022 and 2021.

(5)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportatio n equipment	Office equipment	Mold equipment	Other equipment	Construction in progress and equipment pending examination	Total
Cost:									
As of 1 January 2022	\$149,380	\$495,055	\$538,571	\$9,512	\$56,784	\$107,941	\$107,149	\$36,045	\$1,500,437
Additions	-	-	12,066	-	3,946	2,743	5,121	30,252	54,128
Transfer	-	-	6,250	1,273	-	723	5,300	-	13,546
Disposals	-	-	(5,861)	(2,302)	(3,133)	(100)	(816)	-	(12,212)
As of 31 December 2022	<u>\$149,380</u>	<u>\$495,055</u>	<u>\$551,026</u>	<u>\$8,483</u>	<u>\$57,597</u>	<u>\$111,307</u>	<u>\$116,754</u>	<u>\$66,297</u>	<u>\$1,555,899</u>
As of 1 January 2021	\$149,380	\$492,137	\$528,702	\$9,512	\$53,368	\$105,429	\$106,977	\$ -	\$1,445,505
Additions	-	-	9,388	-	2,719	1,951	792	38,408	53,258
Transfer	-	2,918	3,493	-	1,940	561	68	(2,363)	6,617
Disposals	-	-	(3,012)	-	(1,243)	-	(688)	-	(4,943)
As of 31 December 2021	<u>\$149,380</u>	<u>\$495,055</u>	<u>\$538,571</u>	<u>\$9,512</u>	<u>\$56,784</u>	<u>\$107,941</u>	<u>\$107,149</u>	<u>\$36,045</u>	<u>\$1,500,437</u>

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	Land	Buildings	Machinery and equipment	Transportatio n equipment	Office equipment	Mold equipment	Other equipment	Construction in progress and equipment pending examination	Total
Depreciation and impairment:									
As of 1 January 2022	\$(449)	\$(354,423)	\$(392,756)	\$(9,251)	\$(47,346)	\$(102,779)	\$(97,312)	\$ -	\$(1,004,316)
Depreciation	-	(12,687)	(33,099)	(263)	(4,723)	(4,238)	(3,620)	-	(58,630)
Disposals	-	-	5,861	2,302	3,133	100	816	-	12,212
As of 31 December 2022	<u>\$(449)</u>	<u>\$(367,110)</u>	<u>\$(419,994)</u>	<u>\$(7,212)</u>	<u>\$(48,936)</u>	<u>\$(106,917)</u>	<u>\$(100,116)</u>	<u>\$ -</u>	<u>\$(1,050,734)</u>
)		
As of 1 January 2021	\$(449)	\$(341,989)	\$(359,726)	\$(8,914)	\$(43,821)	\$(97,270)	\$(95,531)	\$ -	\$(947,700)
)							
Depreciation	-	(12,434)	(36,042)	(337)	(4,768)	(5,509)	(2,469)	-	(61,559)
Disposals	-	-	3,012	-	1,243	-	688	-	4,943
As of 31 December 2021	<u>\$(449)</u>	<u>\$(354,423)</u>	<u>\$(392,756)</u>	<u>\$(9,251)</u>	<u>\$(47,346)</u>	<u>\$(102,779)</u>	<u>\$(97,312)</u>	<u>\$ -</u>	<u>\$(1,004,316)</u>
))						
Net carrying amount as at:									
31 December 2022	<u>\$148,931</u>	<u>\$127,945</u>	<u>\$131,032</u>	<u>\$1,271</u>	<u>\$8,661</u>	<u>\$4,390</u>	<u>\$16,638</u>	<u>\$66,297</u>	<u>\$505,165</u>
31 December 2021	<u>\$148,931</u>	<u>\$140,632</u>	<u>\$145,815</u>	<u>\$261</u>	<u>\$9,438</u>	<u>\$5,162</u>	<u>\$9,837</u>	<u>\$36,045</u>	<u>\$496,121</u>

Components of building that have different useful lives are the main building structure and air conditioning, which are depreciated 20~40 years and 10~15 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

The company did not have any instances where interest capitalization was required for the acquisition of real estate, plants, and equipment.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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(7) Investment property

	Land	Buildings	Total
Cost :			
As at 1 Jan. 2022	\$96,713	\$9,514	\$106,227
Additions from acquisitions	-	-	-
As at 31 Dec. 2022	\$96,713	\$9,514	\$106,227
As at 1 Jan. 2021	\$96,713	\$9,514	\$106,227
Additions from acquisitions	-	-	-
As at 31 Dec. 2021	\$96,713	\$9,514	\$106,227
Depreciation and impairment :			
As at 1 Jan. 2022	\$ -	\$(2,498)	\$(2,498)
Depreciation	-	(475)	(475)
As at 31 Dec. 2022	\$ -	\$(2,973)	\$(2,973)
As at 1 Jan. 2021	\$(16,147)	\$(2,022)	\$(18,169)
Depreciation	-	(476)	(476)
Reversal of impairment loss	16,147	-	16,147
As at 31 Dec. 2021	\$ -	\$(2,498)	\$(2,498)
Net carrying amount as at:			
As at 31 Dec. 2022	\$96,713	\$6,541	\$103,254
As at 31 Dec. 2021	\$96,713	\$7,016	\$103,729

Please refer to Note 8 for more details on investment property under pledge.

Investment properties held by The Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The fair value of the investment properties held by our company as of December 31, 2021, was NT\$181,374 thousand, which was determined using the comparative approach as the valuation method and based on a combination of recent transaction prices of comparable properties obtained from the Real Estate Transaction Price Inquiry System of the Ministry of the Interior for NT\$37,638 thousand and the appraisal value of NT\$143,736 thousand assessed by independent external appraisers commissioned. As of December 31, 2022, the fair value of investment properties evaluated by the management of the Company had not changed significantly.

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(8) Short-term loans

	As of 31 December	
	2022	2021
Unsecured bank loans	\$100,000	\$199,526
Secured bank loans	140,800	-
Total	<u>\$240,800</u>	<u>\$199,526</u>

	As of 31 December	
	2022	2021
Interest rates applied		
Unsecured bank loans	1.69%	1.06%~1.25%
Secured bank loans	1.56%~1.69%	-%

The Company's unused short-term lines of credits amounted to NT\$823,260 thousand and NT\$1,013,080 thousand as of 31 December 2022 and 2021, respectively.

The short-term loans are guaranteed by time deposits, please refer to Note 8 for details.

(9) Short-term notes and bills payable

Nature	Guarantee or acceptance institution	As of 31 December	
		2022	2021
Commercial papers payable	Union banks Of Taiwan	\$45,000	\$ -
	China Bills Finance Corporation	-	50,000
	Mega Bills Finance Corporation Ltd.	-	30,000
Less: discount on short-term notes and bills payable		<u>(55)</u>	<u>(29)</u>
Total		<u>\$44,945</u>	<u>\$79,971</u>
		As of 31 December	
		2022	2021
Interest rates applied		<u>1.42%</u>	<u>0.50%-0.70%</u>

The short-term notes and bills payable were guaranteed by time deposits, please refer to Note 8 for details.

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(10) Financial liabilities at fair value through profit or loss

	As of 31 December	
	2022	2021
Held for trading		
Foreign exchange swaps	\$957	\$ -

(11) Other payables

	As of 31 December	
	2022	2021
Wages and salaries payable	\$87,646	\$70,273
Employee bonus payable	13,758	-
Insurance expense payable	8,472	8,027
Compensation due to directors	6,878	-
Payable on machinery and equipment	5,380	4,981
Pension expense payable	4,873	4,800
Other payables to related parties	9,248	9,679
Other payables, others	37,125	24,053
Total	\$173,380	\$121,813

(12) Long-term loans

Details of long-term loans as at 31 December 2022 and 31 December 2021 are as follows:

Lenders	Maturity date	As of 31 December	
		2022	2021
Mega International Commercial Bank	2031/09/15	\$579,251	\$635,039
Chang Hwa Commercial Bank	2029/06/23	422,384	310,491
Bank of Taiwan	2025/10/28	179,596	254,149
Taiwan Cooperative Bank	2025/08/02	184,512	157,793
Hua Nan Commercial Bank	2023/10/25	120,000	120,000
Land Bank of Taiwan	2027/11/25	72,666	83,333
First Commercial Bank	2027/04/15	65,763	65,437
Taichung Commercial Bank	2024/09/01	30,000	46,000
Yuanta Commercial Bank	2022/09/09	-	20,000
Subtotal		1,654,172	1,692,242
Less: current portion		(844,877)	(527,559)
Total		\$809,295	\$1,164,683

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	As of 31 December	
	2022	2021
Interest rates applied	<u>1.73%~2.31%</u>	<u>1.18%~1.68%</u>

Please refer to Note 8 for more details on property, plant and equipment and investment property under pledge.

(13) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the year ended 31 December 2022 and 2021 were NT\$16,620 thousand and NT\$16,706 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$2,160 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The weighted average duration of the defined benefits obligation was 8.1 years as of 31 December 2022.

Pension costs recognized in profit or loss are as follows:

	For the year ended 31 December	
	2022	2021
Current service costs	\$69	\$106
Net interest on the net defined benefit liabilities	371	462
Total	<u>\$440</u>	<u>\$568</u>

Reconciliations of liabilities of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Defined benefit obligation	\$179,622	\$184,796	\$186,999
Plan assets at fair value	(131,915)	(121,928)	(124,284)
Other non-current assets - Net defined benefit liabilities (assets)	<u>\$47,707</u>	<u>\$62,868</u>	<u>\$62,715</u>

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2021	\$186,999	\$(124,284)	\$62,715
Current period service costs	106	-	106
Interest expense (income)	1,402	(940)	462
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	188,507	(125,224)	63,283
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	1,451	-	1,451
Experience adjustments	(695)	-	(695)
Remeasurements of the defined benefit assets	-	911	911
Subtotal	756	911	1,667
Payments of benefit obligation	(4,467)	4,467	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2021	184,796	(121,928)	62,868
Current period service costs	69	-	69
Interest expense (income)	1,109	(738)	371
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	185,974	(122,666)	63,308
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(3,230)	-	(3,230)
Experience adjustments	(799)	-	(799)
Remeasurements of the defined benefit assets	-	(9,490)	(9,490)
Subtotal	(4,029)	(9,490)	(13,519)
Payments of benefit obligation	(2,323)	2,323	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2022	\$179,622	\$(131,915)	\$47,707

The principal assumptions used in determining the Company's defined

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benefit plan are shown below:

	As of 31 December	
	2022	2021
Discount rate	1.00%	0.60%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis for significant assumption are shown below:

	For the year ended 31 December			
	2022		2021	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	\$ -	\$3,845	\$ -	\$4,734
Discount rate decrease by 0.50%	4,060	-	5,037	-
Future salary increase by 1.00%	4,028	-	4,981	-
Future salary decrease by 1.00%	-	3,855	-	4,732

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

(a) Common stock

The Company's authorized capital and the issued capital was NT\$2,207,460 thousand and NT\$1,273,592 thousand in a total of 220,746 thousand shares and 127,359 thousand shares as of 31 December 2022 and 2021. Each share has one voting right and a right to receive dividends.

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(b) Capital surplus

	As of 31 December	
	2022	2021
Additional paid-in capital	\$335,197	\$335,197
Treasury share transactions	34,058	34,058
Increase through changes in ownership interests in subsidiaries	(564)	(564)
Share of changes in net assets of associates and joint ventures accounted for using the equity method	4,385	1,705
Total	<u>\$373,076</u>	<u>\$370,396</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

As of December 31, 2022 and 2021, the treasury stock held by the Company was NT\$6,151 thousand, and the number of treasury stock held by the Company was 538 thousand.

In order to encourage employees, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors on March 25, 2020. The Company repurchased 538 thousand shares between March 26 and May 25, 2020. The range of the repurchased price is between \$6.68 and \$18.68.

As of December 31, 2022 and 2021, the treasury shares of the Company had not been transferred to employees.

According to the Securities and Exchange Act, the number of shares bought back under the preceding paragraphs might not exceed ten percent of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back might not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

The Company's treasury stocks, as stipulated by securities trading regulations, should not be pledged nor entitled to receive dividends or voting rights.

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(d) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy is determined in accordance with the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition conditions as well as taking the interests of shareholders and other factors into account. When distributing dividends to shareholders, they may be distributed through the issuance of new shares of the Company or cash, in which cash dividends shall not be less than 10% of the total dividends.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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On 31 March 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 16 March 2023 and 20 June 2022, respectively, are as follows::

	Appropriation of earnings		Dividend per share (NT\$)	
	For the year ended		For the year ended	
	31 December		31 December	
	2022	2021	2022	2021
Legal reserve	\$37,345	\$6,795		
Special reserve	197,572	-		
Special reversal	-	(146,692)		
Common stock -cash dividend	63,411	-	\$0.5	\$ -

Please refer to Note 6(19) for further details on employees' compensation and remuneration to directors.

(15) Operating revenue

	For the year ended	
	31 December	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$5,600,597	\$4,613,835
Other operating revenue	26,591	33,769
Total	<u>\$5,627,188</u>	<u>\$4,647,604</u>

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Analysis of revenue from contracts with customers for the year ended 31
December 2022 and 2021 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022

	Magnetic Component & Power product department	Information and communication product department	Optical Communication Product Office	Others department	Total
Sale of goods	\$3,405,596	\$2,173,733	\$21,268	\$ -	\$5,600,597
Other operating revenues	-	-	-	26,591	26,591
Total	<u>\$3,405,596</u>	<u>\$2,173,733</u>	<u>\$21,268</u>	<u>\$26,591</u>	<u>\$5,627,188</u>

For the year ended 31 December 2021

	Magnetic Component & Power product department	Information and communication product department	Optical Communication Product Office	Optoelectronics department	Others department	Total
Sale of goods	\$2,792,586	\$1,766,382	\$25,420	\$29,447	\$ -	\$4,613,835
Other operating revenues	-	-	-	-	33,769	33,769
Total	<u>\$2,792,586</u>	<u>\$1,766,382</u>	<u>\$25,420</u>	<u>\$29,447</u>	<u>\$33,769</u>	<u>\$4,647,604</u>

Due to operational strategy considerations, the Company ceased operations of the optoelectronics department at the end of 2021.

The Company recognizes sales revenue when control of goods has been transferred to the customer at a point in time.

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(2) Contract balances

A. Contract assets – current

As of December 31 2022 and 2021, the company did not have any contract assets.

B. Contract liabilities - current

	2022.12.31	2021.12.31	2021.1.1
Sales of goods	<u>\$228,452</u>	<u>\$90,837</u>	<u>\$46,187</u>

The significant changes in the Company's balances of contract liabilities for the year ended 31 December 2022 and 2021 are as follows:

	For the year ended 31 December	
	2022	2021
The opening balance transferred to revenue	\$(46,806)	\$(27,800)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	184,421	72,450

(3) Transaction price allocated to unsatisfied performance obligations

None.

(4) Assets recognized from costs to fulfil a contract

None.

(16) Expected credit losses/ (gains)

The Company had no expected credit losses for the year ended 31 December 2022 and 31 December 2021.

	For the year ended 31 December	
	2022	2021
Operating expenses – Expected credit losses/(gains)		
Accounts receivables	\$282	\$(985)

Please refer to Note 12 for more details on credit risk.

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The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2022 and 2021 are as follows:

Accounts receivable were classified into groups based on factors such as the counterparty's credit rating, region, and industry. Provision matrices were used to measure the allowance for impairment losses. The relevant information is as follows:

31 December 2022

	Not yet due (note)	<=30 days	31-60 days	Overdue 61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	\$1,197,804	\$32,432	\$2,105	\$166	\$267	\$2,020	\$1,234,794
Loss ratio	-%	-%	-%	-%	14.13%	96.78%	
Lifetime expected credit losses	-	-	-	-	(38)	(1,955)	(1,993)
Carrying amount	<u>\$1,197,804</u>	<u>\$32,432</u>	<u>\$2,105</u>	<u>\$166</u>	<u>\$229</u>	<u>\$65</u>	<u>\$1,232,801</u>

31 December 2021

	Not yet due (note)	<=30 days	31-60 days	Overdue 61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	\$1,223,805	\$17,811	\$1,955	\$262	\$ -	\$1,677	\$1,245,510
Loss ratio	-%	-%	0.15%	25.24%	31.38%	100%	
Lifetime expected credit losses	-	-	(3)	(66)	-	(1,677)	(1,746)
Carrying amount	<u>\$1,223,805</u>	<u>\$17,811</u>	<u>\$1,952</u>	<u>\$196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,243,764</u>

Note: The Company's note receivables were not overdue.

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The movement in the provision for impairment of note receivables and trade receivables during the year ended 31 December 2022 and 2021 are as follows:

	Note receivables	Trade receivables
As of 1 January 2022	\$ -	\$1,746
Addition/(reversal) for the current period	-	282
Write off	-	(35)
As of 31 December 2022	<u>\$ -</u>	<u>\$1,993</u>
As of 1 January 2021	\$ -	\$4,812
Addition/(reversal) for the current period	-	(985)
Write off	-	(2,081)
As of 31 December 2021	<u>\$ -</u>	<u>\$1,746</u>

(17) Leases

(1) The Company is a lessee

The Company leases various properties, including real estate such as land, buildings, office equipment and transportation equipment. The lease terms range from 1 to 4 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2022	2021
Buildings	\$2,166	\$3,899
Transportation equipment	702	-
Office equipment	80	188
Total	<u>\$2,948</u>	<u>\$4,087</u>

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During the year ended 31 December 2022 and 2021, The Company's additions to right-of-use assets amounting to NT\$853 thousand and NT\$5,199 thousand, respectively.

(b) Lease liabilities

	As of 31 December	
	2022	2021
Lease liabilities		
Current	\$2,263	\$1,834
Non-Current	721	2,281
Total	<u>\$2,984</u>	<u>\$4,115</u>

Please refer to Note 6(20)(d) for the interest on lease liabilities recognized during the year ended 31 December 2022 and 2021 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the year ended 31 December	
	2022	2021
Buildings	\$1,733	\$1,736
Transportation equipment	152	-
Office equipment	107	115
Total	<u>\$1,992</u>	<u>\$1,851</u>

C. Income and costs relating to leasing activities

	For the year ended 31 December	
	2022	2021
The expenses relating to short-term leases	<u>\$481</u>	<u>\$4,182</u>

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D. Cash outflow related to lessee and lease activity

During the year ended 31 December 2022 and 2021, the Company's total cash outflows for leases amounting to NT\$2,525 thousand and NT\$6,079 thousand.

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the year ended 31 December 2022 and 2021:

Function Nature	For the year ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$221,581	\$202,382	\$423,963	\$200,596	\$192,122	\$392,718
Labor and health insurance	21,335	18,954	40,289	20,268	19,954	40,222
Pension	7,871	9,189	17,060	7,583	9,691	17,274
Remuneration to directors	-	7,543	7,543	-	2,404	2,404
Other employee benefits expense	7,070	5,532	12,602	6,585	4,687	11,272
Depreciation	38,570	22,527	61,097	39,760	24,126	63,886
Amortization	1,183	7,511	8,694	1,058	8,446	9,504

For the year ended 31 December 2022 and 2021, the average number of employees of the Company were 733 and 745, respectively; the number of directors who were not concurrently employees were both 8 .

For the year ended 31 December 2022 and 2021, the average of employees benefits expense of the Company were NT\$681 thousand and NT\$626 thousand ; the average of employees salaries of the Company were NT\$584 thousand and NT\$533 thousand, respectively. The Company's average salary expense adjustment for the year ended 31 December 2022 increased by 10%.

The Company had established an audit committee to replace the supervisor in accordance with the regulations, resulting in the non-recognition of the supervisor's remuneration.

The Company's policy for compensation of directors, managers and employees is as follows:

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Implemented in accordance with the Company's Articles of Incorporation and the remuneration payment method for directors and functional members. The remuneration of directors shall be determined by the board of directors according to their participation in the operation of the company and the value of their contributions and with reference to the domestic industry standards. Owing that the manager's management ability, strategic planning and execution are the important forces to create the Company's operating performance. In order to closely integrate the personal goals of managers with the long-term and short-term business goals of the Company and the interests of shareholders, the principle of the Company's manager's salary policy is that the fixed salary is at a competitive level in the market, and the variable salary is based on the reasonable cooperation between the Company's operation and personal performance. And the Company also put emphasis on long-term incentive salaries and consideration of future risk for the purpose of encouraging managers to pay attention to the Company's long-term business goals and create a win-win-win situation for the Company, employees and shareholders. The employee remuneration and manager's remuneration for the distribution of the surplus shall be handled in accordance with the regulations of the Company's Articles of Incorporation.

The Company formulates working conditions and various salary and welfare measures for employees in accordance with government labor-related laws and regulations, and according to the job title, function, learning experience, performance, market conditions, future development of the company and other factors, taking into account the retention of outstanding colleagues and shareholders' rights, pay a market-competitive salary level.

Employee monthly compensation includes monthly salaries, bonuses based on performance, year-end bonuses based on business performance and individual achievements, and employee compensation as stipulated in the Articles of Association. The Company conducts regular performance evaluations of all employees to accurately assess their job performance as the basis for promotion, salary and bonus distribution, and talent development.

According to the Articles of Incorporation, no lower than 4% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as

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remuneration to directors. However, when the Company has accumulated losses, they should have been covered in advance.

Employee compensation may be distributed in the form of stocks or cash, and the recipients may include employees of subsidiary companies who meet certain conditions. The conditions and distribution methods should be determined by the Board of Directors. The distribution of employee compensation and director remuneration shall be approved by a resolution of the Board of Directors with the attendance of two-thirds or more of the directors and the consent of a majority of the attending directors, and shall be reported to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended of 31 December 2022 to be 4% and 2% of profit, respectively. The employees' compensation and remuneration to directors for the year ended of 31 December 2022 amount to NT\$13,758 thousand and NT\$6,878 thousand respectively, recognized as employee benefits expense. In 2021, the company recorded pre-tax net profit, but there were still accumulated losses, resulting in the retention of the compensation amount, and employee compensation and director remuneration were not accrued.

(19) Non-operating income and expenses

(a) Interest income

	For the year ended 31 December	
	2022	2021
Financial assets measured at amortized cost	\$9,770	\$5,614

(b) Other income

	For the year ended 31 December	
	2022	2021
Rental income	\$660	\$660
Dividend income	2,700	4,240
Other income - others	12,547	14,494
Total	\$15,907	\$19,394

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(c) Other gains and losses

	For the year ended 31 December	
	2022	2021
Losses on disposal of investments	\$(9,662)	\$ -
Foreign exchange losses (gains), net	167,893	(37,817)
Losses of financial liabilities at fair value through profit or loss	(957)	-
Reversal of impairment loss recognised in profit or loss, investment property	-	16,147
Other expense	(1,358)	(354)
Total	<u>\$155,916</u>	<u>\$(22,024)</u>

(d) Finance costs

	For the year ended 31 December	
	2022	2021
Interest on loans from bank	\$32,537	\$26,144
Interest on lease liabilities	60	64
Total	<u>\$32,597</u>	<u>\$26,208</u>

(20) Components of other comprehensive income

For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$13,519	\$ -	\$13,519	\$(2,704)	\$10,815
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(115,163)	-	(115,163)	6,301	(108,862)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(77)	-	(77)	-	(77)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	13,090	-	13,090	(1,658)	11,432
Total of other comprehensive income	<u>\$(88,631)</u>	<u>\$ -</u>	<u>\$(88,631)</u>	<u>\$1,939</u>	<u>\$(86,692)</u>

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For the year ended 31 December 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(1,667)	\$ -	\$(1,667)	\$333	\$(1,334)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	250,593	-	250,593	(29,225)	221,368
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	48	-	48	-	48
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	5,287	-	5,287	(1,057)	4,230
Total of other comprehensive income	<u>\$254,261</u>	<u>\$ -</u>	<u>\$254,261</u>	<u>\$(29,949)</u>	<u>\$224,312</u>

(21) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the year ended 31 December	
	2022	2021
Current income tax expense (income):		
Current income tax charge	\$44,484	\$(9,321)
Adjustments in respect of current income tax of prior periods	41	281
Deferred tax expense (income):		
Deferred tax income relating to origination and reversal of temporary differences	16,198	13,054
Deferred tax expense relating to origination and reversal of tax loss and tax credit	-	710
Tax expense recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	-	1,377
Total income tax expense (income)	<u>\$60,723</u>	<u>\$6,101</u>

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Income tax relating to components of other comprehensive income

	For the year ended 31 December	
	2022	2021
Deferred tax expense (income) :		
Remeasurements of defined benefit plans	\$2,704	\$(333)
Unrealized (losses) gains from equity instruments investments measured at fair value through other comprehensive income	(6,301)	29,225
Exchange differences on translation	1,658	1,057
Income tax relating to components of other comprehensive income	<u>\$(1,939)</u>	<u>\$29,949</u>

Income tax charged directly to equity

	For the year ended 31 December	
	2022	2021
Current income tax expense (income):		
Realized gains (losses) from equity instruments investment measured at fair value through other comprehensive income	\$21,913	\$17,222
Deferred tax expense (income):		
Realized gains (losses) from equity instruments investment measured at fair value through other comprehensive income	-	2,284
Income tax charged directly to equity	<u>\$21,913</u>	<u>\$19,506</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended 31 December	
	2022	2021
Accounting profit before tax from continuing operations	<u>\$323,300</u>	<u>\$50,807</u>
At the Company's statutory income tax rate	\$64,660	\$10,161
Tax effect of revenues exempt from taxation	3,731	(1,567)
Tax effect of expenses not deductible for tax purposes	280	2
Tax effect of deferred tax assets/liabilities	(13,622)	(4,153)
Corporate income surtax on undistributed retained earnings	5,633	-
Adjustments in respect of current income tax of prior periods	41	1,658
Total income tax expense recognized in profit or loss	<u>\$60,723</u>	<u>\$6,101</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance as of 31 December
Temporary differences					
Unrealized foreign exchange gains or losses	\$18,363	\$(13,631)	\$ -	\$ -	\$4,732
Allowance for inventory valuation losses	8,658	(2,430)	-	-	6,228
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,830	(328)	-	-	9,502
Exchange differences on translation	7,874	-	(1,658)	-	6,216
Revaluations of financial assets at fair value	-	191	-	-	191
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(28,214)	-	6,301	21,913	-
Non-current liability – Defined benefit liability	4,515	-	(2,704)	-	1,811
Deferred tax income (expense)		<u>\$(16,198)</u>	<u>\$1,939</u>	<u>\$21,913</u>	
Net deferred tax assets (liabilities)	<u>\$33,101</u>				<u>\$40,755</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$61,314</u>				<u>\$40,755</u>
Deferred tax liabilities	<u>\$(28,213)</u>				<u>\$ -</u>

For the year ended 31 December 2021

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance as of 31 December
Temporary differences					
Unrealized foreign exchange gains or losses	\$23,756	\$(5,393)	\$ -	\$ -	\$18,363
Allowance for inventory valuation losses	16,016	(7,358)	-	-	8,658
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	10,133	(303)	-	-	9,830
Exchange differences on translation	8,931	-	(1,057)	-	7,874
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(18,495)	-	(29,225)	19,506	(28,214)
Non-current liability – Defined benefit liability	4,182	-	333	-	4,515
Unused tax losses	4,371	(2,087)	-	(2,284)	-
Deferred tax income (expense)		<u>\$(15,141)</u>	<u>\$(29,949)</u>	<u>\$17,222</u>	
Net deferred tax assets (liabilities)	<u>\$60,969</u>				<u>\$33,101</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$79,464</u>				<u>\$61,314</u>
Deferred tax liabilities	<u>\$(18,495)</u>				<u>\$(28,213)</u>

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Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets had not been recognized NT\$216,534 thousand and NT\$230,156 thousand, respectively.

The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020

(16) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the year ended</u> <u>31 December</u>	
	<u>2022</u>	<u>2021</u>
(a) Basic earnings per share		
Profit (in thousand NT\$)	<u>\$262,577</u>	<u>\$44,706</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	<u>126,821</u>	<u>126,821</u>
Basic earnings per share (NT\$)	<u>\$2.07</u>	<u>\$0.35</u>

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	For the year ended 31 December	
	2022	2021
(b) Diluted earnings per share		
Profit (in thousand NT\$)	\$262,577	\$44,706
Profit attributable to ordinary equity holders of the Company after dilution	\$262,577	\$44,706
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	126,821	126,821
Effect of dilution:		
Employee compensation-stock (thousand shares)	555	-
Weighted average number of ordinary shares outstanding after dilution (thousand shares)	127,376	126,821
Diluted earnings per share (NT\$)	\$2.06	\$0.35

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship</u>
Tien Lung Investment Co., Ltd.	Subsidiary
Advanced Radar Technology Co., Ltd.	Subsidiary
PT UMEC Green Tech Indonesia	Subsidiary
UMEC Investment Co.,Ltd	Subsidiary
UMEC JAPAN CO., LTD.	Subsidiary
UMEC USA, INC.	Subsidiary
UMEC Company Ltd.	Subsidiary
Global Development Co. Ltd	Subsidiary
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Subsidiary
UMEC Fulong Electronics Co., Ltd. (Longyan)	Subsidiary
UMEC Wuhan Company Limited	Subsidiary
UMEC VIETNAM Co., Ltd.	Subsidiary
PORIS ELECTRONICS CO., LTD.	Associate
AMIT System Service Ltd.	Associate
UEC System Solutions Corporation	Associate
Connection Technology Systems Inc.	Substantive related party
Lightel Technologies Inc.	Substantive related party

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Significant transactions with related parties

(a) Sales

	For the year ended 31 December	
	2022	2021
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$918,908	\$787,658
Others	8,745	16,845
Associates	3	505
Substantive related party	11,275	25,114
Total	<u>\$938,931</u>	<u>\$830,122</u>

The selling prices to related parties by the Company were not significantly different from those to regular customers. Accounts receivable were generally collected in the form of foreign currency checks or through T/T (wire transfer) within three months from the shipment month, except in cases where the financial condition of the related party required different arrangements.

(b) Purchases

	For the year ended 31 December	
	2022	2021
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	<u>\$2,361,233</u>	<u>\$2,038,247</u>

The purchase price from related parties by the Company was determined through mutual agreement based on market rates. The payment terms for purchases from related parties by the Company are comparable to those for regular suppliers, with a payment period of one to three months.

(c) Notes receivable

	As of 31 December	
	2022	2021
PORIS ELECTRONICS CO., LTD.	<u>\$3</u>	<u>\$ -</u>

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(d) Accounts receivable

	As of 31 December	
	2022	2021
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$383,948	\$561,586
Others	883	-
Substantive related party	85	7,124
Total	<u>\$384,916</u>	<u>\$568,710</u>

(e) Other receivables

	As of 31 December	
	2022	2021
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$339,415	\$307,238
UMEC VIETNAM Co., Ltd.	1,112	87,242
Total	<u>\$340,527</u>	<u>\$394,480</u>

Other receivables represent amounts due from related parties for goods collected on their behalf, expenses advanced on their behalf, equipment and raw materials purchased on their behalf, and funds lent to them.

(f) Prepayments

	As of 31 December	
	2022	2021
UMEC VIETNAM Co., Ltd.	<u>\$60,391</u>	<u>\$66,637</u>

(g) Prepayments for investments

	As of 31 December	
	2022	2021
UMEC VIETNAM Co., Ltd.	<u>\$95,831</u>	<u>\$ -</u>

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(h) Other payables

	As of 31 December	
	2022	2021
Subsidiaries		
UMEC Company Ltd.	\$7,756	\$7,654
Advanced Radar Technology Co., Ltd.	748	1,111
Others	744	914
Total	<u>\$9,248</u>	<u>\$9,679</u>

Other payables represent payments due to related parties for the purchase of equipment, payment of processing fees, and outstanding loans.

(i) Processing expense

	For the year ended 31 December	
	2022	2021
UMEC VIETNAM Co., Ltd.	<u>\$166,291</u>	<u>\$136,667</u>

(j) Management service income

	For the year ended 31 December	
	2022	2021
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$933	\$1,028
UMEC VIETNAM Co., Ltd.	584	497
Total	<u>\$1,517</u>	<u>\$1,525</u>

For the year ended 31 December 2022 and 2021, the company recorded management service income provided to subsidiaries in deduction of expenses of NT\$27,574 thousand and NT\$27,725 thousand and recorded in other income of NT\$1,517 thousand and NT\$1,525 thousand, respectively.

(k) Management expense

	For the year ended 31 December	
	2022	2021
UMEC Company Ltd.	<u>\$29,527</u>	<u>\$31,084</u>

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(l) Rent income

	For the year ended 31 December	
	2022	2021
Advanced Radar Technology Co., Ltd.	\$660	\$660

The determination and collection of rental fees for the lease agreement were based on general market conditions.

(m) Royalty expense

	For the year ended 31 December	
	2022	2021
Advanced Radar Technology Co., Ltd.	\$3,795	\$3,782

(n) Commissioned research expenses

	For the year ended 31 December	
	2022	2021
Advanced Radar Technology Co., Ltd.	\$8,571	\$8,571

(o) Interest revenue

	For the year ended 31 December	
	2022	2021
Subsidiaries		
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	\$4,754	\$4,308
UMEC VIETNAM Co., Ltd.	1,185	1,134
Total	\$5,939	\$5,442

(p) Other expense

	For the year ended 31 December	
	2022	2021
Subsidiaries		
UMEC JAPAN CO., LTD.	\$5,773	\$5,596
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	557	-
Total	\$6,330	\$5,596

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(q) Key management personnel compensation

	For the year ended 31 December	
	2022	2021
Short-term employee benefits	\$24,347	\$14,780
Post-employment benefits	503	360
Total	<u>\$24,850</u>	<u>\$15,140</u>

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Secured liabilities
	31 December 2022	31 December 2021	
Property, plant and equipment - land	\$148,931	\$142,483	Long-term borrowings
Property, plant and equipment - buildings	115,825	122,377	Long-term borrowings
Property, plant and equipment - machinery and equipment	60,712	70,746	Long-term borrowings
Investment property	48,000	48,000	Long-term borrowings
Other current assets - restricted deposit	207,599	-	Short-term borrowings, Short-term notes and bills payable
Total	<u>\$581,067</u>	<u>\$383,606</u>	

9. Significant contingencies and unrecognized contract commitments

(a) The Company provided guarantees notes receivable NT\$2,477,475 thousand for loan to banks for the year ended 31 December 2022.

(b) The important contracts for construction in progress or provision of services

Contracting parties	Contract subject	Total contract price (before tax)	Price paid as of 31 December 2022
Company A	Plant expansion project	\$68,571	\$59,450
Company B	Plant mechanical and electrical equipment	35,048	30,667

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10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2022	2021
Financial assets at fair value through other comprehensive income	\$287,274	\$534,632
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluded cash on hand)	341,989	291,004
Notes receivable	11,741	3,216
Accounts receivable	1,221,060	1,240,548
Other receivables	361,047	405,999
Other current assets - restricted deposit	207,599	-
Guarantee deposits paid	518	418
Subtotal	2,143,954	1,941,185
Total	<u>\$2,431,228</u>	<u>\$2,475,817</u>

Financial liabilities

	As of 31 December	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	\$240,800	\$199,526
Short-term notes and bills payable	44,945	79,971
Accounts payable	635,193	465,292
Other payables	173,380	121,813
Long-term loans (including current portion with maturity less than 1 year)	1,654,172	1,692,242
Lease liabilities	2,984	4,115
Subtotal	2,751,474	2,562,959
Financial liabilities at fair value through profit or loss:		
Held for trading	957	-
Total	<u>\$2,752,431</u>	<u>\$2,562,959</u>

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(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign

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currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the year ended 31 December 2022 and 2021 is decreased/increased by NT\$15,059 thousand and NT\$13,781 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the year ended 31 December 2022 and 2021 to decrease/increase by NT\$1,895 thousand and NT\$1,892 thousand, respectively.

Equity price risk

The fair value of the Company's listed, emerging and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed, emerging and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured

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at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed and emerging companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,525 thousand and NT\$4,191 thousand on the equity attributable to The Company for the year ended 31 December 2022 and 2021, respectively.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2022 and 2021, amounts receivables from top ten customers represented 68% and 73% of the total accounts receivables of the Company. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with

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counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2022					
Loans	\$1,095,442	\$561,226	\$189,591	\$106,119	\$1,952,378
Short-term notes and bills payable	45,000	-	-	-	45,000
Accounts payable	635,193	-	-	-	635,193
Other payables	173,380	-	-	-	173,380
Lease liabilities	2,296	724	-	-	3,020
As of 31 December 2021					
Loans	\$731,860	\$1,058,939	\$125,752	\$19,005	\$1,935,556
Short-term notes and bills payable	80,000	-	-	-	80,000
Accounts payable	465,292	-	-	-	465,292
Other payables	121,813	-	-	-	121,813
Lease liabilities	1,889	2,306	-	-	4,195

Derivative financial instruments

None.

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(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loan (including maturity within a year)	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2022	\$199,526	\$79,971	\$1,692,242	\$4,115	\$3,569	\$1,979,423
Cash flow	41,274	(35,026)	(38,070)	(1,984)	(1,330)	(35,136)
Non-cash change	-	-	-	853	-	853
As of 31 December 2022	<u>\$240,800</u>	<u>\$44,945</u>	<u>\$1,654,172</u>	<u>\$2,984</u>	<u>\$2,239</u>	<u>\$1,945,140</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Short-term notes and bills payable	Long-term loan(including maturity within a year)	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2021	\$120,000	\$ -	\$1,852,689	\$749	\$3,998	\$1,977,436
Cash flow	79,526	79,971	(160,447)	(1,833)	(429)	(3,212)
Non-cash change	-	-	-	5,199	-	5,199
As of 31 December 2021	<u>\$199,526</u>	<u>\$79,971</u>	<u>\$1,692,242</u>	<u>\$4,115</u>	<u>\$3,569</u>	<u>\$1,979,423</u>

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(9) for fair value measurement hierarchy for financial instruments of the Company.

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(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 are as follows:

Foreign exchange swaps

The Company entered into foreign exchange swaps to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to foreign exchange swaps:

Items	Amount (in thousands)	Contract Period
As of 31 December 2022		
Foreign exchange swaps	Sell USD 4,500	9 November 2022 – 28 March 2023
As of 31 December 2021		
None.		

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

The foreign exchange swaps have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for

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identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

- (b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$152,507	\$ -	\$134,767	\$287,274
Financial liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swaps	-	957	-	957

As at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$419,051	\$ -	\$115,581	\$534,632

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Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	
	For the year ended 31 December	
	2022	2021
Beginning balances	\$115,581	\$102,719
Total gains and losses recognized for the year:		
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	(414)	(9,143)
Acquisition	19,600	26,785
Disposal	-	(2,783)
The return of paid-in capital for capital reduction	-	(1,997)
Ending balances	<u>\$134,767</u>	<u>\$115,581</u>

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2022

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by NT\$1,348 thousand

As of 31 December 2021

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by NT\$1,156 thousand

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(c) Disclosure of Fair Value Hierarchy Information for Non-Fair Value Measurements

As at 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(8))	\$ -	\$ -	\$181,374	\$181,374

As at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(8))	\$ -	\$ -	\$181,374	\$181,374

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2022			As of 31 December 2021		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	\$65,459	30.71	\$2,010,242	\$64,505	27.68	\$1,785,492
Financial liabilities						
Monetary items:						
USD	16,422	30.71	504,327	14,719	27.68	407,434

The Company has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Company recognized NT\$167,893 thousand and NT\$(37,817) thousand foreign exchange gain (losses) for the year ended 31 December 2022 and 2021, respectively.

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(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions and information on investees:

- (a) Financing provided to others: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (c) Securities held (excluding the portion related to investments in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 3.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
- (g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.

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- (i) Financial instruments and derivative transactions: Please refer to Note 12 (8).
- (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022 (excluded the information on investments in mainland China) : Please refer to Attachment 7.

(3) Information on investments in mainland China

- (a) The Company's investments in mainland China through Global Development Company Ltd. included names, main businesses and products, total amount of paid-in capital, method of investment, Investment flow situation, percentage of ownership, investment income (loss) recognized, carrying value as of 31 December 2022, accumulated inward remittance of earnings as of 31 December 2022 and upper limit on investment in mainland China: Please refer to Attachment 8.
- (b) Significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 1,2,4,5 and 6.

(4) Information of major shareholders

Stocks	Quantity of shares	Shareholding
Major shareholders		
OU, CHENG-MING	34,870,964	27.38%
OUMEIYA INVESTMENT CO.,LTD	12,693,541	9.96%

Attachment 1: Financing provided to others

No.	Lender (Note 1)	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing Note 6	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	The Company	UMEC VIETNAM Co., Ltd.	Other receivables	Y	\$122,840	\$122,840	\$ -	0.00%	1	\$166,291	-	\$ -	-	\$ -	\$166,291 (Note1)	\$814,296 (Note1)
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	368,520	368,520	337,810	1.30%- 1.62%	1	2,361,233	-	-	-	-	814,296 (Note2)	814,296 (Note2)
1	UMEC (B.V.I.)	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	92,130	92,130	-	0.00%	2	-	Need for operating	-	-	-	233,876 (Note3)	233,876 (Note3)
2	Global	UMEC VIETNAM Co., Ltd.	Other receivables	Y	15,355	-	-	0.00%	2	-	Need for operating	-	-	-	212,696 (Note4)	212,696 (Note4)
2	Global	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	61,420	61,420	-	0.00%	2	-	Need for operating	-	-	-	212,696 (Note4)	212,696 (Note4)

Note 1: UMEC VIETNAM Co., Ltd. had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT\$2,035,740 thousand as of December 31, 2022.

Individual loan amounts were limited to the extent of the business transactions between the two parties.

The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount was less than 40% of the Company's net worth.

Therefore, the individual loan amounts were limited to the extent of the business transaction amount between the two parties.

Note 2: JA-LONG TECHNOLOGY CO., LTD.(Shenzhen) had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT\$2,035,740 thousand as of December 31, 2022.

Individual loan amounts were limited to the extent of the business transactions between the two parties.

The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount exceeded 40% of the Company's net worth as of December 31, 2022.

Therefore, the individual loan amounts were limited to 40% of the audited net worth of NT\$2,035,740 thousand as of December 31, 2022.

Note 3: The loan amount was calculated based on 60% of the audited net worth of UMEC (B.V.I.) as of December 31, 2022, which amounted to NT\$389,794 thousand.

Note 4: The loan amount was calculated based on 60% of the audited net worth of Global as of December 31, 2022, which amounted to NT\$354,494 thousand.

Note 5: To fill in the nature of the loan, please follow the instructions below:

(1) If there is a business transaction, please fill in "1".

(2) If there is a need for short-term financing, please fill in "2".

Attachment 2: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	2	\$407,148	\$220,400	\$220,400	\$ -	\$ -	10.83%	\$814,296	Y	N	Y
1	UMEC (B.V.I.)	The Company	2	97,449	76,775	30,710	-	-	7.88%	116,938	N	Y	N
2	Global	The Company	2	106,348	46,065	46,065	-	-	12.99%	124,073	N	Y	N

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: 1. Limit of guarantee/endorsement amount for for a single enterprise by the Company is limited to 20% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$2,035,740 thousand.
2. Limit of guarantee/endorsement amount for for a single enterprise by UMEC (B.V.I.) is limited to 25% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$389,794 thousand.
3. Limit of guarantee/endorsement amount for for a single enterprise by Global is limited to 30% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$354,494 thousand.

Note 4: 1. The total limit of guarantee/endorsement amount by the Company is limited to 40% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$2,035,740 thousand.
2. The total limit of guarantee/endorsement amount by UMEC (B.V.I.) is limited to 30% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$389,794 thousand.
3. The total limit of guarantee/endorsement amount by Global is limited to 35% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2022, which amounts to NT\$354,494 thousand.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsees for subsidiary, subsidiary guarantees/endorsees for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type of securities	Name of securities	Relationship (Note 1)	Financial statement account	As of 31 December 2022				Note
					Shares	Carrying amount	Percentage of ownership (%)	Fair value	
Tien Lung Investment Co., Ltd.	Stocks	LELON ELECTRONICS CORP.	-	Financial assets at fair value through profit or loss- current	484,153 shares	\$25,951	0.30%	\$25,951	-
				Subtotal		\$25,951		\$25,951	
Tien Lung Investment Co., Ltd.	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	34,327 shares	\$2,114	0.03%	\$2,114	-
Tien Lung Investment Co., Ltd.	Stocks	INTEGRATED DIGITAL TECHNOLOGIES, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	279,129 shares	-	0.97%	-	-
Tien Lung Investment Co., Ltd.	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	62,044 shares	432	0.13%	432	-
Tien Lung Investment Co., Ltd.	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	195,192 shares	-	2.87%	-	-
						\$2,546		\$2,546	
The Company	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	50,567 shares	3,115	0.05%	3,115	-
The Company	Stocks	Partner Tech Corp.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	649,151 shares	13,275	0.86%	13,275	-
The Company	Stocks	Connection Technology Systems Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	4,481,726 shares	119,662	14.10%	119,662	-
The Company	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,208,872 shares	8,535	2.57%	8,535	-
The Company	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	457,921 shares	-	6.73%	-	-
The Company	Stocks	SysJust Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	221,015 shares	16,455	0.84%	16,455	-
The Company	Stocks	AESOPower, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,088,976 shares	8,709	10.44%	8,709	-
The Company	Stocks	Hannlync Technologies Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	700,000 shares	-	0.73%	-	-
The Company	Stocks	Lightel Technologics Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	5,082,027 shares	76,930	19.47%	76,930	-
The Company	Stocks	Silver PAC Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,809,609 shares	-		-	-
The Company	Stocks	Terasilic Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	535,523 shares	2,621	1.83%	2,621	-
The Company	Stocks	Phoenix 3 Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,000,000 shares	13,592	8.70%	13,592	-
The Company	Stocks	LIEN SHEN ELECTRONICS CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	500,000 shares	4,780	14.29%	4,780	-
The Company	Stocks	GaN Power Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,400,000 shares	19,600	4.50%	19,600	-
				Subtotal		\$287,274		\$287,274	

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Credit period	Unit price	Credit period	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Purchase	\$2,361,233	46.75%	Collected over a specific period	\$ -	-	\$ -	-%	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Sales	918,908	16.33%	Collected over a specific period	-	-	383,948	31.14%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Sales	2,361,233	95.60%	Collected over a specific period	-	-	-	-%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Purchase	918,908	54.07%	Collected over a specific period	-	-	(383,948)	(55.79)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Accounts receivable \$383,948	1.94	\$ -	-	\$ -	\$ -
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Other receivables \$339,415	-	-	-	-	-

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets(Note3)
0	The Company	UMEC VIETNAM Co., Ltd.	1	Processing fees	\$166,291	(Note 4)	2.96%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Sales	918,908	(Note 4)	16.33%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Accounts receivable	383,948	(Note 4)	7.47%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Purchase	2,361,233	(Note 4)	41.96%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Other receivables	339,415	(Note 4)	6.60%

Note 1: The Company is coded "0".The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the Company asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: The transaction terms include collecting payments over a specified period.

Attachment 7: Names, locations, main businesses and products, original investment amount, net income (loss) of investee company and investment income (loss) recognized: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousand shares)	Percentage of ownership (%)	Book value			
The Company	UMEC (B.V.I.)	Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola ,VG1110 ,BRITISH VIRGIN ISLANDS	Investment and holding company	\$997,418	\$1,325,231	30,398	100.00%	\$346,399	\$77,554	\$65,832	Note
The Company	Tien Lung Investment Co., Ltd.	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City, Taiwan (R.O.C.)	Investment company	88,000	88,000	8,800	100.00%	49,321	(6,882)	(6,882)	
The Company	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwn (R.O.C.)	Manufacturing and sales of electronic parts and components	42,559	42,559	4,256	84.78%	20,381	(11,704)	(9,923)	
The Company	AMIT SYSTEM SERVICE LTD.	4F., No.149, Wugong Rd., Wugu Dist.,New Taipei City 248, Taiwan (R.O.C.)	Electronic information supply services industry	11,780	11,780	1,178	14.75%	3,139	(10,613)	(1,880)	
The Company	PT UMEC Green Tech Indonesia	Ketapang Business Centre,Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	Manufacturing and sales of electronic parts and components	3,519	3,519	-	60.00%	-	-	-	
				USD 114,600	USD 114,600						
The Company	UEC System Solutions Corporation Limited	5th Floor, No. 219, Xinhua 2nd Road, Neihu District, Taipei City, Taiwn (R.O.C.)	IoT product applications and services and electronic product trading	6,000	6,000	1,500	13.89%	3,389	(3,401)	(473)	
The Company	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply	1,368	-	-	100.00%	1,339	17	17	
The Company	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	43,013	-	500	99.99%	47,760	61	61	
UMEC (B.V.I.)	UMEC (H.K.)	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	Established in Hongkong to handle export shipping affairs of China.	7,018	7,018	1,782	100.00%	12,614	1,592	1,592	
				HKD 1,782,000	HKD 1,782,000						
UMEC (B.V.I.)	Global	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	Investment and holding company	941,315	1,157,802	30,652	100.00%	354,494	62,843	62,843	
				USD 30,651,744	USD 37,701,154						
UMEC (B.V.I.)	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	-	15,355	-	-%	-	-	-	
				-	USD 499,999						
Global	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	276,500	276,500	-	100.00%	70,970	(12,009)	(12,009)	
				USD 9,003,574	USD 9,003,574						
Global	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board	-	1,544	-	-%	-	-	-	
				-	USD 50,262.69						
Tien Lung Investment Co., Ltd.	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwn (R.O.C.)	Manufacturing and sales of electronic parts and components	5,420	5,420	542	10.80%	2,596	(11,704)	(1,264)	
Tien Lung Investment Co., Ltd.	PORIS ELECTRONICS CO., LTD.	11 F., No. 866-7, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Electronic information supply services industry	10,400	10,400	1,202	33.55%	6,744	(2,037)	(684)	

Note : The investment income recognized in the current period includes the investment gains or losses generated by the investee company due to favorable or unfavorable market conditions.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow						
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	\$542,032	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	\$537,425	\$ -	\$ -	\$537,425	\$79,589	100.00%	\$79,589	\$198,336	\$ -
		USD 17,650,000		USD 17,500,000			USD 17,500,000					
UMEC Wuhan Company Limited	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	184,260	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	184,260	-	-	184,260	-	-%	-	(Note 4)	-
		USD 6,000,000		USD 6,000,000			USD 6,000,000					
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	18,426	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	18,426	-	-	18,426	(3,700)	100.00%	(3,700)	(15,632)	-
		USD 600,000		USD 600,000			USD 600,000					
UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer	92,130	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	92,130	-	-	92,130	(7,184)	100.00%	(7,184)	79,440	-
		USD 3,000,000		USD 3,000,000			USD 3,000,000					

Accumulated Investment in Mainland China as of 31 December 2022	Investment Amounts Authorized by Investment Commission, MOEA (Note1)	Upper Limit on Investment (Note2)
\$832,241	\$912,333	\$1,221,444

Note 1: The Investment Commission of the Ministry of Economic Affairs has approved an investment amount of USD 29,708 thousand.

Note 2: According to Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

Note 3: The aforementioned amount in foreign currency will be converted into New Taiwan Dollars using the exchange rate on the balance sheet date.

Note 4: The company obtained the approval for deregistration from the Administration for Industry and Commerce of Ma'anshan City on November 16, 2018.

The liquidation process was completed on January 17, 2019, and the company received the notification letter of filing for deregistration from the Investment Commission of the Ministry of Economic Affairs on June 9, 2022.

UNIVERSAL MICROELECTRONICS CO., LTD.

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ACCOUNTING ITEMS

FOR THE YEAR ENDED 31 DECEMBER 2022

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UNIVERSAL MICROELECTRONICS CO., LTD.
1. STATEMENT OF CASH AND CASH EQUIVALENTS
31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Cash on hand			\$2,058	
Cash in banks				
	Demand deposits — NTD		56,871	
	Demand deposits — foreign currency	Mainly includes: USD 9,015 thousand EUR 193 thousand	284,088	
	Checking account deposits		1,030	
Total			<u>\$344,047</u>	

UNIVERSAL MICROELECTRONICS CO., LTD.
2. STATEMENT OF ACCOUNTS RECEIVABLE
31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Third parties:			
Client A		\$148,040	
Client B		71,142	
Client C		64,902	
Client D		62,949	
Client E		50,455	
Client F		47,836	
Client G		45,177	
Client H		42,829	
Others (Note)		304,807	
Subtotal		838,137	
Less: loss allowance		(1,993)	
Accounts receivable, net		\$836,144	

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.

3. STATEMENT OF INVENTORIES

31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Cost	Net Realizable Value	Note
Raw materials		\$948,512	\$967,773	Please refer to Note 4 (10) for more details on net realizable value
Supplies & parts		27,920	28,237	
Work in progress		17,449	17,725	
Finished goods		118,725	156,740	
Merchandise		232,392	278,544	
Total		<u>\$1,344,998</u>	<u>\$1,449,019</u>	

UNIVERSAL MICROELECTRONICS CO., LTD.

4. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NONCURRENT
FOR THE YEAR ENDED 31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Name of Securities	As of 1 January 2022		Additions		Decrease		Gains (losses) on valuation	As of 31 December 2022		Accumulated impairment	Collateral	Note
	Shares	Shares	Shares	Amount	Shares	Amount		Shares	Fair Value			
Listed companies stocks:												
GOODWAY MACHINE CORP.	50,567	\$3,216	-	\$ -	-	\$ -	\$(101)	50,567	\$3,115	N/A	None	
Connection Technology Systems Inc.	4,481,726	199,213	-	-	-	-	(79,551)	4,481,726	119,662	N/A	None	
Alpha and Omega Semiconductor Limited	100,000	167,630	-	-	(100,000)	(136,127)	(31,503)	-	-	N/A	None	
Subtotal		370,059			(Note1)				122,777			
Emerging companies stocks:												
SysJust Co., Ltd.	399,015	29,327	-	-	(178,000)	(12,932)	60	221,015	16,455	N/A	None	
Partner Tech Corp.	768,151	19,665	-	-	(119,000)	(2,736)	(3,654)	649,151	13,275	N/A	None	
Subtotal		48,992			(Note3)				29,730			
Unlisted companies stocks:												
Asia Pacific Microsystems, Inc.	1,208,872	8,579	-	-	-	-	(44)	1,208,872	8,535	N/A	None	
EVERMORE TECHNOLOGY, INC.	457,921	-	-	-	-	-	-	457,921	-	N/A	None	
AESOPower, INC.	2,088,976	8,709	-	-	-	-	-	2,088,976	8,709	N/A	None	
Hannlync Technologies Inc.	700,000	-	-	-	-	-	-	700,000	-	N/A	None	
Lightel Technologies Inc.	5,082,027	67,938	-	-	-	-	8,992	5,082,027	76,930	N/A	None	
Silver PAC Inc.	1,809,609	-	-	-	-	-	-	1,809,609	-	N/A	None	
Terasilic Co., Ltd.	535,523	5,355	-	-	-	-	(2,734)	535,523	2,621	N/A	None	
Phoenix 3 Venture Capital Co., Ltd.	2,000,000	20,000	-	-	-	-	(6,408)	2,000,000	13,592	N/A	None	
LIEN SHEN ELECTRONICS CORP.	500,000	5,000	-	-	-	-	(220)	500,000	4,780	N/A	None	
GaN Power Technology Co., Ltd.	-	-	1,400,000	19,600	-	-	-	1,400,000	19,600	N/A	None	
Subtotal		115,581	(Note 4)						134,767			
Total		\$534,632		\$19,600		\$(151,795)	\$(115,163)		\$287,274			

Note:

1. In the current fiscal year, 100,000 shares of Alpha and Omega Semiconductor Limited were sold, generating a total of NT\$136,127 thousand in share capital.
2. In the current fiscal year, 178,000 shares of SysJust Co., Ltd. were sold, generating a total of NT\$12,932 thousand in share capital.
3. In the current fiscal year, 119,000 shares of Partner Tech Corp. were sold, generating a total of NT\$2,736 thousand in share capital.
4. In the current fiscal year, 1,400,000 shares of GaN Power Technology Co., Ltd. were sold, generating a total of NT\$19,600 thousand in share capital.

UNIVERSAL MICROELECTRONICS CO., LTD.

5. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED 31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Name	As of 1 January 2022		Additions		Decrease		Changes in transaction volume for inflows and outflows	Investment income (loss)	Unrealized gains/losses on financial assets.	Exchange differences	Changes in accordance with the percentage of shareholding	As of 31 December 2022			Collateral
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	%	Amount	
UMEC Investment Co., Ltd.	41,201,154	\$427,366	-	\$ -	(10,803,351)	\$(156,881)	\$1,736	\$65,832	\$ -	\$8,346	\$ -	30,397,803	100.00%	\$346,399	None
						(Note 2.3)									
PT UMEC Green Tech Indonesia	114,600	-	-	-	-	-	-	-	-	-	-	114,600	60.00%	-	None
Tien Lung Investment Co., Ltd.	8,800,000	62,477	-	-	-	(6,197)	-	(6,882)	(77)	-	-	8,800,000	100.00%	49,321	None
						(Note 1)									
Advanced Radar Technology Co.,Ltd.	4,255,894	30,304	-	-	-	-	-	(9,923)	-	-	-	4,255,894	84.78%	20,381	None
UMEC JAPAN CO., LTD.	-	-	-	1,368	-	-	-	17	-	(46)	-	-	100.00%	1,339	None
UMEC USA, Inc.	-	-	500,000	43,013	-	-	(104)	61	-	4,790	-	500,000	99.99%	47,760	None
AMIT SYSTEM SERVICE LTD.	1,178,000	2,339	-	-	-	-	-	(1,880)	-	-	2,680	1,178,000	14.75%	3,139	None
UEC System Solutions Corporation	1,500,000	3,862	-	-	-	-	-	(473)	-	-	-	1,500,000	13.89%	3,389	None
Total		<u>\$526,348</u>		<u>\$44,381</u>		<u>\$(163,078)</u>	<u>\$1,632</u>	<u>\$46,752</u>	<u>\$(77)</u>	<u>\$13,090</u>	<u>\$2,680</u>			<u>\$471,728</u>	

Note:

1. In the current fiscal year, Tien Lung Investment Co., Ltd. repatriated a total of NT\$6,197 thousand in earnings.
2. In the current fiscal year, UMEC Investment Co., Ltd. reduced its shares by 5,720 shares to offset losses and returned capital, and reduced its shares by 5,083 shares through capital reduction. It received a total of NT\$102,838 thousand as capital refund.
3. The company adjusted its investment structure in 2022 and transferred UMEC (USA), a subsidiary of UMEC (B.V.I.) and Universal (Japan), a subsidiary of Global, 100% ownership to the Company.

UNIVERSAL MICROELECTRONICS CO., LTD.

6. STATEMENT OF SHORT-TERM LOANS

31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Type	Lending bank	Balance, End of Year	Contract Period	Financing limit	Collateral	Note
Credit loan	First Commercial Bank—Taichung Branch	\$60,000	2022/10-2023/04	100,000	None	
Material procurement loan	First Commercial Bank—Taichung Branch	40,000	2022/10-2023/04		None	
Secured loans	Hua Nan Commercial Bank—Taichung Branch	27,000	2022/12-2023/01	55,800	Time deposits	
	Hua Nan Commercial Bank—Taichung Branch	28,800	2022/12-2023/01		Time deposits	
	Chang Hwa Commercial Bank—Hsitun Branch	30,000	2022/12-2023/01	85,000	Time deposits	
	Chang Hwa Commercial Bank—Hsitun Branch	55,000	2022/12-2023/01		Time deposits	
	Total	<u>\$240,800</u>				

	As of 31 December
	<u>2022</u>
Interest rates applied	
Unsecured bank loans	1.69%
Secured bank loans	1.56-1.69%

UNIVERSAL MICROELECTRONICS CO., LTD.

7. STATEMENT OF ACCOUNTS PAYABLE

31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Vendor A		\$61,842	
Vendor B		49,981	
Others (Note)		523,370	
		<u>\$635,193</u>	

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.
8. STATEMENT OF NET OPERATING REVENUES
FOR THE YEAR ENDED 31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Magnetic Component & Power product	\$3,405,596	
Assembly of circuit board	2,173,733	
Optical cables	21,268	
Others	26,591	
Net operating revenues	<u>\$5,627,188</u>	

UNIVERSAL MICROELECTRONICS CO., LTD.

9. STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Direct raw material: Raw material, beginning of year	532,806
Add : Raw material purchased	2,073,006
Transferred from work in progress	2,203
Updated standard cost	61,526
Transferred to expenses	1,011
Inventory surplus	17
Less: Raw material, end of year	(696,602)
Cost of raw material sold	(950,752)
Direct raw material used	1,023,215
Supplies & parts: Supplies & parts , beginning of year	20,958
Add : Supplies & parts purchased	110,173
Updated standard cost	1,019
Less: Supplies & parts, end of year	(28,261)
Cost of supplies & parts sold	(7,982)
Transferred to expenses	(28,773)
Supplies & parts used	67,134
Direct labor	121,966
Manufacturing expenses (Refer to 10)	360,435
Manufacturing cost	1,572,750
Add: Semi-finished goods, beginning of year	10,310
Semi-finished goods purchased	5,628
Transferred from work in progress	313,888
Updated standard cost	1,455
Less: Semi-finished goods, end of year	(17,982)
Cost of semi-finished goods sold	(46,447)
Transferred to expenses	(496)
Semi-finished goods used	266,356
Add: Work in process, beginning of year	76,574
Transferred from finished goods	251,826
Updated standard cost	15,056
Less: Work in process, end of year	(120,027)
Reprocessing cost	(6,802)
Transferred to semi-finished goods	(313,888)
Transferred to raw material	(2,203)
Transferred to expenses	(4,702)

Item	Amount
Cost of finished goods	1,734,940
Add: Finished goods, beginning of year	239,568
Finished goods purchased	1,831,788
Updated standard cost	4,434
Inventory surplus	1
Less: Finished goods, end of year	(513,268)
Transferred to work in process	(251,826)
Transferred to expenses	(3,137)
Subtotal of cost of goods sold	3,042,500
Other operating costs	
Cost of raw material sold	950,752
Cost of supplies & parts sold	7,982
Cost of semi-finished goods sold	46,447
Gain from price recovery of inventories	(12,147)
Inventory surplus	(18)
Updated standard cost	(83,490)
Purchase price variance	1,029,800
Reprocessing cost	6,802
Direct labor cost variance	36,267
Manufacturing expense variance	45,903
Revenue from sale of scraps	(7)
Others	(414)
Subtotal	2,027,877
Operating Costs	<u><u>\$5,070,377</u></u>

UNIVERSAL MICROELECTRONICS CO., LTD.
10. STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Indirect labor	\$92,904
Processing costs	174,829
Depreciation	38,570
Consumption of materials and tools	38,840
Other expense	61,195
Subtotal	<hr/> 406,338
Manufacturing expense variance	<hr/> (45,903)
Total	<hr/> <hr/> \$360,435

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.

11. STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2022

(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses	Research and Development Expenses	Impairment Loss	Total
Wages and salaries	\$32,438	\$65,334	\$121,343	\$ -	\$219,115
Insurance expense	3,739	5,660	11,158	-	20,557
Depreciation	803	8,558	13,166	-	22,527
Amortization	6	7,002	503	-	7,511
Commissions expense	18,212	-	-	-	18,212
Import/export expense	9,987	9	44	-	10,040
Management expense	-	29,527	-	-	29,527
Instrument calibration fees	-	-	10,756	-	10,756
R&D material expenses	-	-	14,798	-	14,798
Others	15,077	38,879	21,979	282	76,218
Total	<u>\$80,262</u>	<u>\$154,969</u>	<u>\$193,747</u>	<u>\$282</u>	<u>\$429,260</u>

(Note) The amount of individual client in others does not exceed 5% of the account balance.

UNIVERSAL MICROELECTRONICS CO., LTD.



Chairman: OU, CHENG-MING



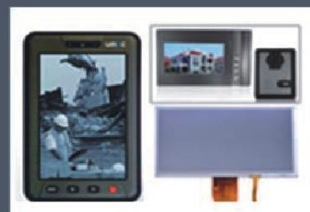
- * RF transformer
- * Telecommunications
- * Power Transformer
- * Inductor Products
- * Custom Design Transformer/ Inductor



- * DC/DC Converters
- * AC Open Frame
- * Power Adapter
- * Hot-swappable Redundant Power



- DMS/ EMS
- * Marine & GPS Product
- * Automotive Radar
- * Wearable Device
- * BLE related Consumer



- * 3.5inch ~ 19inch
- * COG, FOG, POG
- * Lamination, OCR
- * Film on Sensor Glass
- * LCM assembly



- * Ultra High Speed AOC :
HDMI, DVI, USB3.0, SFP+, QSFP+
- * Passive Components:
CWDM/ DWDM Fused Biconical Taper



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