HIWIN® MIKROSYSTEM

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2023
Annual Report

Notice to readers
For the convenience of readers and for information purpose only, annual report has been translated into English from the original Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

HIWIN MIKROSYSTEM CORP.

2024 . 5 . 6

Spokesperson
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Title: Senior Director
Tel: 886-4-2355-0110 Ext.9276
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Deputy Spokesperson
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Overseas Securities Exchange
None

Corporate Website
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I. Letter to Shareholders

Dear Shareholders,

In 2023, we faced multiple external challenges. Persistent global inflation, escalating geopolitical risks, and rising supply chain costs have suppressed demand in the semiconductor and terminal application markets, adversely affecting HIWIN MIKROSYSTEM's profitability. Our consolidated net revenue for 2023 was NT$2,170,200,000, marking a 32.78% decrease from NT$3,228,380,000 in 2022. Net profit after tax significantly declined by 90% to NT$39,279,000 from NT$392,481,000 in the previous year.

As a leader in the electromechanical manufacturing industry, we faced a challenging global economy and declining customer demand in 2023. Nevertheless, HIWIN MIKROSYSTEM remained committed to its core technologies in drive control and various direct drive motors. We continued to deepen our engagement in sectors such as semiconductors, high-end machine tools, advanced electronic manufacturing equipment, and smart manufacturing. We offered comprehensive industrial application upgrade solutions ranging from components and modules to high-precision nano-positioning platforms, drivers, and controllers.

The "TM2 Water-Cooled Torque Motor" received the 32nd Taiwan Excellence Gold Award from the Ministry of Economic Affairs, featuring a revolutionary patented closed-loop cooling channel design that reduces energy consumption and increases torque by 30% over similar products, reaching speeds up to 5,000 RPM. It is particularly suited for high-precision gear grinding and power skiving machines. To date, HIWIN MIKROSYSTEM has garnered 6 Gold and 5 Silver Taiwan Excellence Awards. Our excellence in quality, service, production time, delivery, cost, and responsiveness has earned us the "Best Supplier Award" from Applied Materials for two consecutive years.

To address diverse customer needs, our E1 drive now integrates the Profinet communication protocol, which dominates the European market, enhancing its compatibility with our popular EtherCAT industrial bus. The new E2 series drives launched in 2023 feature comprehensive industrial bus communications, demonstrating high compatibility and flexibility for customer design. Paired with the newly introduced DMH direct drive motor, it supports ultra-high-speed automated production, processing up to 60,000 electronic components per hour for applications such as sorting, visual inspection, vibration testing, and placement.

In response to the global net-zero carbon trend, we initiated a product carbon footprint assessment for our TM torque motors and E1 series drives in 2023, receiving ISO 14067 certification from TÜV Rheinland, making us the first in Taiwan to achieve this in our product category. Our commitment to environmental sustainability also earned us the "2023 Touch Taiwan Green Decoration Design Gold Award."

As we pursue operational growth, HIWIN MIKROSYSTEM continues to advance corporate ESG sustainability. We support vulnerable groups, local communities, and educational initiatives as part of our corporate social responsibility. Our sustainability efforts have been recognized with the " Excellence in Corporate Social Responsibility Award - Little Giant Award" for three consecutive years.

Looking ahead to 2024, despite the end of the pandemic, the industry outlook remains subdued. We anticipate challenges from the economic climate and ongoing geopolitical risks. HIWIN MIKROSYSTEM will continue to enhance our research and development, quality, service, and customer-centric solutions, providing high-value electromechanical and smart manufacturing solutions. We will also persist in our commitment to green manufacturing and sustainable management.

Lastly, I extend my deepest gratitude to all shareholders, banks, and governmental bodies for your enduring support and trust. As we approach an opportunity-rich 2024, we remain committed to robust growth and sustainability goals, eagerly anticipating continued support and guidance from all stakeholders.

The implementation results of the 2023 business plan are as follows:

1. 2023 annual operating report

(1) The business plan implementation results

The 2023 consolidated revenue was NT$2,170,200,000, a decrease of 32.78% from NT$3,228,380,000 in 2022; the net operating profit was NT$26,082,000, a decrease of 93.11% from NT$378,556,000 in 2022; the net profit after tax was NT$39,279,000, a decrease of 89.99% from NT$392,481,000 in 2022; the net income after tax attributable to owners of the parent company was NT$5,101,000, a decrease of 98.44% from NT$326,942,000 in 2022; the earnings per share was NT$0.04, a decrease of 98.53% from NT$2.73 in 2022.

(2) Analysis of financial income and expenditure and profitability:

1. Financial income and expenditure

Unit: NT$1,000

Year / Item	Finance Audited in 2023	
	Amount	%
Operating revenue	2,170,200	100%
Operating cost	1,501,768	69%
Operating gross profit	668,432	31%
Operating expenses	642,350	30%
Net operating profit	26,082	1%
Non-operating income and expenses	17,212	1%
Net profit for the year	39,279	2%
Net profit after tax attributable to the owner of the parent company	5,101	-%

Note: This table is based on the consolidated financial statement. The Company has not disclosed its financial forecast for 2023, so there is no budgetary disclosure.

2. Profitability analysis

Year / Item	2023
Return on Assets (%)	0.83
Return on shareholders' equity (%)	0.97
Ratio of operating profit to paid-in capital (%)	2.18
Ratio of pre-tax net profit to paid-in capital (%)	3.61
Net Profit rate (%)	1.81
Earnings per share (NT$)	0.04

(3) Research development

1. In 2023, the research and development expenditure accounted for 12.92% of the turnover. A total of 29 domestic and foreign patent applications were filed, and 19 patent certificates were issued. By the end of 2023, a total of 240 patents had been obtained and were still valid.

2. The research and development product "TM2 Water-Cooled Torque Motor" won the 32rd Taiwan Excellence Award [Gold Award] from the Ministry of Economic Affairs.

3. Research and development results:

(1) Low-voltage drives for the semiconductor industry

(2) High-response direct-drive motors

(3) Absolute magnetic scales

(4) Precision positioning platforms for advanced packaging inspection of wafers

2. Summary of the 2024 business plan

(1) Operation policy:

A. Striving toward "energy conservation, environmental protection, and high efficiency," we offer high-value green products.

B. Leveraging product integration services, we provide customers with comprehensive solutions that include mechatronics, electronic controls and software.
C. Enhance high-end intelligent manufacturing solutions and promote critical motor components to add value for customers.
D. Persist in developing new applications and exploring new markets for our products, enlarging our business footprint and enhancing market share.
E. Concentrate on innovating core product technologies, refining overall quality management, and bolstering core competitiveness.

(2) Expected sales volume and its basis:
A. The Company's expected sales in 2024 are as follows:

Unit: PCS

Product category	Sales Volume
Precision motion and control components	262,882
Micro and Nano Positioning Systems	2,623
Total	265,505

B. Based on global economic trends, the business environment of each industry, market supply and demand, and competition, as well as analysis of business development with existing customers and the progress of potential customers, while considering various factors such as balance between production and sales, the Company estimates its sales volume for 2024.

(3) Important production and sales policies:
A. Review product strategy development trends, regularly cross-reference with market trends, and optimize product innovation, development, and production processes.
B. Continue to invest in self-made automation equipment to increase the proportion of intelligent production, enhancing component production capacity and improving quality yield.
C. Strengthen localized supplier management, promoting green procurement through review, assessment, audit, coaching, and training.
D. Implement MRP/MDS systems, coupled with market demand forecasting and order system adjustments, to mitigate inventory management risks.
E. Utilize CRM management, TC technology center, and SC customer service center to promptly deliver customer service and address customer complaints, enhancing overall customer satisfaction.

(4) Future company development strategy
A. Deepen our commitment to sustainable smart manufacturing, researching and developing high-efficiency, energy-saving green products to create value for customers and promote environmental sustainability.
B. Utilize global resource integration to continuously innovate and collaborate on technology, offering customers comprehensive system integration solutions.
C. Leverage group resources to develop high-value-added products, aiming for international leadership in high-speed drive and motion control expertise.
D. As a leading brand in advanced direct drive technology, actively expanding market presence and partnerships to increase global market share.

(5) Impact of external competitive environment, regulatory environment, and overall business environment
In 2023, despite the pandemic easing, the world continued to face multiple challenges. Economic instability, the threat of conflict, and climate change persistently tested various industries. In response to this uncertainty, HIWIN MIKROSYSTEM proactively adapted by strategically focusing on advanced sectors such as Industry 4.0, semiconductors, high-end machine tools, advanced electronic manufacturing equipment, and smart manufacturing to enhance market competitiveness.
We are acutely aware of the intensifying global climate crisis and are particularly attentive to the European Union's forthcoming Carbon Border Adjustment Mechanism (CBAM), set to be implemented in 2026. This policy will push companies towards a more aggressive transition to net-zero carbon emissions. HIWIN MIKROSYSTEM is not only committed to adapting to market shifts but is also vigorously advancing energy conservation and carbon reduction initiatives. We are integrating low-carbon materials, refining processes, and continuously developing new generations of eco-friendly products to meet the growing demand for low-carbon solutions from the market and our clients.
In confronting climate change, we have established a Climate Response Task Force to identify environmental risks and opportunities while also enhancing our green energy solutions and

fortifying our supply chain risk management against climate-related disruptions. This initiative reflects our prudent approach to safeguarding the company's best interests, ensuring HIWIN MIKROSYSTEM can sustain long-term, stable growth amidst evolving environmental conditions.

In these challenging times, we continue to prioritize innovation and strengthen our core technologies to meet future challenges head-on. Our mission is to achieve sustainable operations and pursue steady, long-term profitable growth. Thank you for your support, and HIWIN MIKROSYSTEM remains committed to facing future challenges with resolve.

HIWIN MIKROSYSTEM CORP.
Chairman Chuo Shou-yeu

II. Company Profile

1. Establishment Date: April 1, 1997

2. Company History

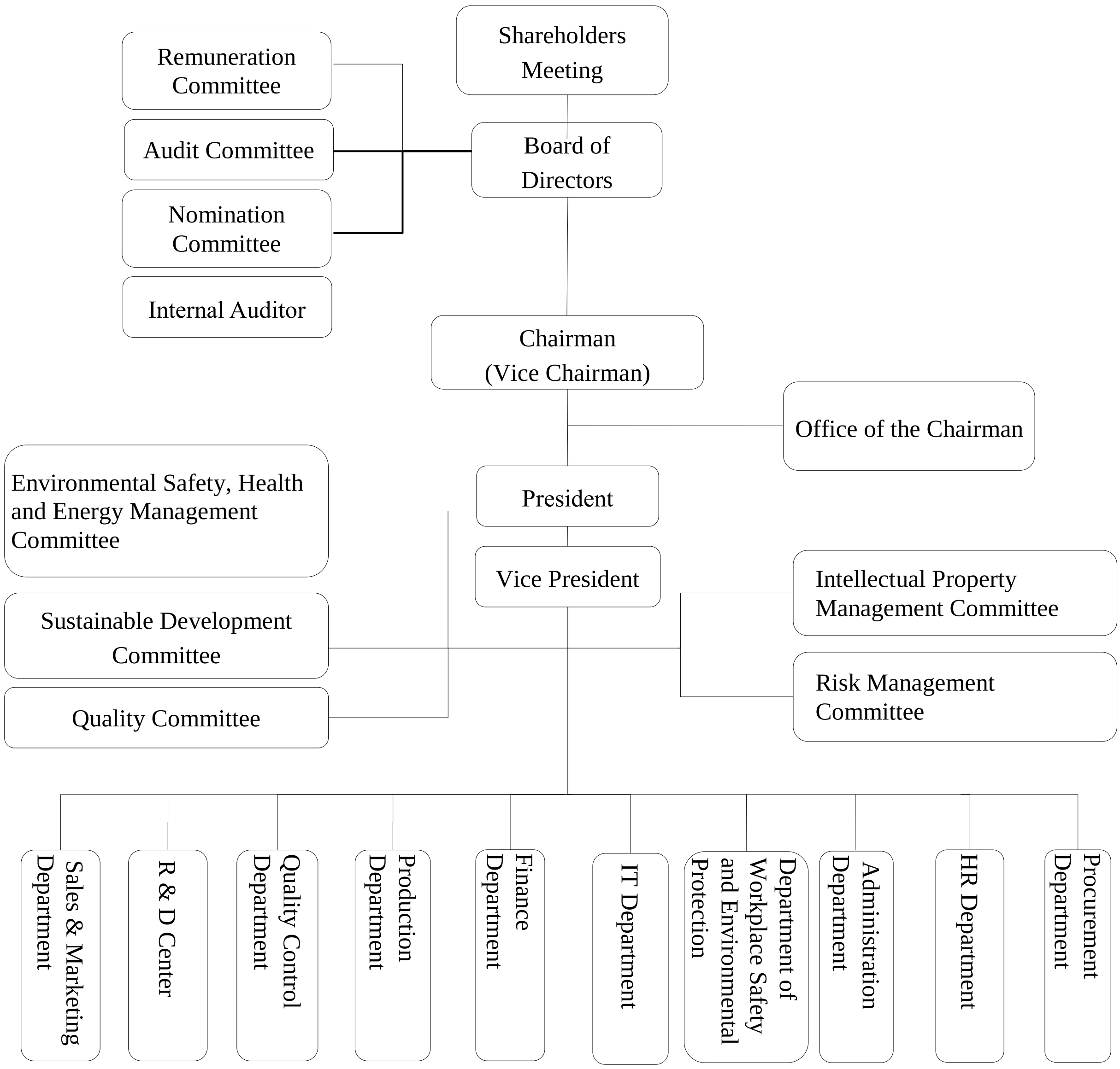
Date	Milestones
February 2001	Obtained ISO 9001 certification
November 2001	LAH1 won the 8th "Taiwan SME R&D Innovation Award"
January 2002	Obtained ISO 14001 certification
January 2002	Started production of gantry positioning platform
March 2003	Successful development of medical-grade linear actuator
September 2003	Successful development of air bearings for panel testing equipment and semiconductor equipment
June 2004	Won the 12th "Taiwan Excellence Gold Award" and obtained the Taiwan Excellence Mark for LMC
November 2005	Won the 12th "Taiwan Small and Medium-sized Enterprise R&D Innovation Award" for the Iron-core linear servo motor
August 2006	Received the 14th "Taiwan Excellence Mark" and won the silver award for the direct drive positioning platform
July 2009	Received the "Best Industry-University-Research Cooperation Award" for Excellent Achievement from the Ministry of Economic Affairs Science and Technology (Flat panel display detection platform and submicron flat panel display detection and positioning platform)
May 2010	Invested in Mega-Fabs Motion Systems Ltd., a top Israeli controller manufacturer
November 2010	Received the "Industrial Science and Technology Award–Outstanding Innovative Enterprise Award" from the Ministry of Economic Affairs
December 2010	Received the 11th Industrial Elite Award (Machinery and Transportation Industry) from the Industrial Development Bureau of the Ministry of Economic Affairs
January 2011	Passed OHSAS18001 and TOSHMS certification
October 2012	Received the Taiwan Training Quality Certification TTQS Bronze Medal
January 2013	Awarded the 21st "Taiwan Excellence Mark" for the "Nano environmental protection and energy-saving drive"
December 2013	Received the second "Backbone Enterprise" as a key counseling target from the Ministry of Economic Affairs
June 2014	Received the "2013 Best Supplier Award" from American Applied Materials, the world's largest semiconductor equipment manufacturer
April 2014	Awarded the 22nd "Taiwan Excellence Mark" for the new-generation high-speed network security protection driver
July 2014	Opened the Taichung Precision Park Operation Headquarters
July 2015	Won the "Forward-looking Innovation Award" and "Industrial Contribution Award" of the High-tech Equipment Forward-looking Technology Development Plan of the Central Science Industrial Park issued by the Ministry of Science and Technology
April 2016	Awarded the 24th "Taiwan Excellence Mark" and won the gold award for the direct-drive manipulator
July 2016	Opened the plant (second phase) in Taichung Precision Park that mainly produces actuators and servo motors and handles the processing of important metal parts of various products
January 2017	Won the 2015 Excellent Occupational Safety and Health Unit Award from the Department of Occupational Safety and Health of the Ministry of Labor
February 2017	Received the 25th "Taiwan Excellence Mark" and won the gold award for the Air Flotation Dharma
March 2017	Obtained Taiwan Intellectual Property Management Specification (TIPS) certification
June 2017	Acquired land in Yunlin Science and Technology Industrial Park
July 2017	Won the "Forward-looking Innovation Award" and "Industrial Contribution Award" of the "Outstanding Manufacturer of High-tech Equipment Forward-looking Technology Development Plan" in 2017
December 2017	Awarded the 2016 Occupational Safety and Health Excellence Award by the Occupational Safety and Health Administration, Ministry of Labor
December 2017	Received the 26th "Taiwan Excellence Mark" and won the silver award for the intelligent single-axis robot
March 2018	Groundbreaking ceremony for the first phase of the factory building in Shiliuban Area, Yunlin Technology Industrial Park
May 2018	Ranked 851st in Commonwealth Magazine's "Top 1000 Manufacturing Industries" in 2017

Date	Milestones
September 2018	Received the 2017 National Five-star Award for Excellent Occupational Safety and Health Unit from the Department of Occupational Safety and Health of the Ministry of Labor
October 2018	Registered in emerging stock market
October 2018	Received the 2018 National Work-life Balance Award and Friendly Parenting Award from the Ministry of Labor
November 2018	Awarded the 27th "Taiwan Excellence Mark" and won the silver award for the "Absolute Angle Resolver Direct Drive Motor System"
March 2019	Recorded 7,271,462 hours of accident-free work hours according to the Occupational Safety and Health Administration
June 2019	Approved stock exchange listing application
August 2019	Acquired land for Fengshan Factory, Hukou Township, Hsinchu County
September 2019	Stock listing
November 2019	Won the Permanent Award-Gold Award and Special Award-Special Jury Award at the 14th Wenxin Awards of the Ministry of Culture
November 2019	Won the 28th Taiwan Excellence Mark for the Direct drive precision water-cooled linear motor C3
December 2019	Won the 2019 National Occupational Safety and Health Award – Enterprise Benchmarking Award
May 2020	Ranked 951st in Commonwealth Magazine’s "Top 1000 Manufacturing Industries" in 2019
June 2020	Joined Taiwan’s national team in providing mask equipment to help prevent the novel coronavirus and won an award
November 2020	Awarded the 29th "Taiwan Excellence Mark" and won the silver award for the "E1 Drive"
May 2021	Obtained European safety function certification for the E1 drive
June 2021	Received the 110-year R&D Alternative Service "Excellent Employer" Award from the Service Administration Department of the Ministry of the Interior
July 2021	Chuo Shou-yeu was elected as HIWIN MIKROSYSTEM Chairman
September 2021	Won 16th place in the Little Giant Award at the 2021 World Sustainable Citizen Award
October 2021	Received the 30th "Taiwan Excellence Gold Award" and obtained the Taiwan Excellence Mark for the "Ultra-thin direct drive motor DMT Series"
November 2021	Won the 7th National Industrial Innovation Award of the Ministry of Economic Affairs-Organization Category-Outstanding Innovative Enterprise
November 2021	Won the 14th TCSA Taiwan Corporate Sustainability Award "Comprehensive Performance-Taiwan Sustainable Corporate Excellence Award", "Corporate Sustainability Report Electronic Information Manufacturing Industry-Gold Award" and "Innovation and Growth Leader Award"
February 2022	Won the 15th Machine Tools Research and Development Innovative Product Competition Excellence Award under the numerical control machine tool key components category for the C3 direct drive precision water-cooled linear motor
April 2022	Received the best supplier award from the American Applied Materials Inc. (AMAT), the world's leading semiconductor manufacturer
April 2022	Ranked 793rd place in Commonwealth Magazine's 2022 "Top 2,000 Manufacturing Industries"; ranked 4th in the "Precision Instrument Industry"
September 2022	Won 16th place in the Little Giant Award at the 2022 World Sustainable Citizen Award
November 2022	Received the 31st Taiwan Excellence Gold Award and obtained the Taiwan Excellence Mark for the "Nano Positioning Platform N2"
December 2022	Groundbreaking ceremony for the first phase of Fengshan Factory
December 2022	Received the Taiwan Training Quality Certification TTQS Bronze Medal
April 2023	Awarded the "2023 Touch Taiwan Green Decoration Design Awards"
May 2023	Received the Best Supplier Award from Applied Materials Inc. (AMAT), the world's leading semiconductor manufacturer
May 2023	Ranked 783rd in Commonwealth Magazine's 2023 "Top 2,000 Manufacturing Industries" and 4th in the "Precision Instrument Industry"
May 2023	Received the "Excellent Employer" Award for the first half of 2023 R&D Alternative Service from the Ministry of the Interior's Service Administration Department
September 2023	Ranked 16th in the Little Giant Award at the 2023 World Sustainable Citizen Award
September 2023	Promoted green products and became the first domestic manufacturer to conduct carbon footprint assessments on torque motors and drives, certified by third-party validation. Achieved ISO 14067 carbon footprint certification through TÜV Rheinland verification.
December 2023	Awarded the 32nd Taiwan Excellence Gold Award and obtained the Taiwan Excellence Mark for the "TM2 Water-Cooled Torque Motor"

III. Corporate Governance Report

1. Organization

(1) Organizational structure



(2) Duties and responsibilities of every department

Department	Major Functions
Internal Auditor	Operational risk assessment and ensures a sound and effective system of internal control
Chairman Office	Setting the company's operational direction, strategy and medium to long-term goals
Sales & Marketing Department	Formulation and implementation of product marketing and sales strategies, and customer relationship management
R & D Center	Research and development of new products and new technologies, and enhancement of process capabilities
Quality Control Department	Establishment, implementation, and audit of quality assurance system
Production Department	Production management and manufacturing
Finance Department	Financial and tax system development and implementation, budget analysis, capital planning and project plan implementation
IT Department	Information and communication system management and information security assurance
Department of Workplace Safety and Environmental Protection	Promotion and maintenance of Company-wide occupational safety and health management system
Administration Department	General affairs matter, implementation of management system and construction of mechanical and electrical facilities
HR Department	Human resource management and development
Procurement Department	Raw material procurement, supply chain management, warehousing and shipment management

2. Information on directors and senior managers

(1) Information of Directors

March 31. 2024

Title	Nationality / Place of Incorporation	Name	Gender Age	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	ROC	Chuo Shou-yeu	Female, 41-50 y/o	2008.06.24	2021.7.22	3 years	21,735,017	18.32%	22,395,630	18.69%	928,689	0.78%	—	—	Master of Financial Management, Baruch College, USA, Sino Bank, Secretary to Chief Financial Officer , HIWIN MIKROSYSTEM CORP. Vice Chairman	HIWIN MIKROSYSTEM CORP. Deputy CEO Holds the position of Director: -HIWIN TECHNOLOGIES CORP. -HIWIN INVESTMENT AND HOLDING CORP. -HIWIN Business Management Co., Ltd. -Hiwin Corporation, USA -Hiwin Singapore Pte Ltd. -Hiwin GmbH Matrix Precision Co., Ltd. Vice Chairman/Co-CEO HIWIN CORPORATION, Japan, Director	Vice Chairman Executive Vice President	Eric Y. T. Chuo You Kai-sheng	Father and Daughter Spouse	-
Vice Chairman	ROC	HIWIN INVESTMENT AND HOLDING CORP.	—	2018.12.12	2021.7.22	3 years	6,527,714	5.50%	6,592,991	5.50%	—	—	—	—	—	—	—	—	—	-
		Representative Eric Y. T. Chuo	Male, 81-85 y/o				1,900,404	1.60%	1,476,145	1.23%	1,224,083	1.02%	—	—	University of San Francisco, Master of Public Administration, National Kaohsiung University of Science and Technology (NKUST), Hon PhD of Engineering , National Chung Cheng University, Hon PhD of Management, National Taiwan University of Science and Technology, Hon PhD of Engineering, National Tsing Hua University, Hon. Doctor of Philosophy, China Medical University, Hon. Doctor of Engineering, National Taiwan University, Hon. Doctor of Science, Matrix Precision Co., Ltd. Chairman, HIWIN MIKROSYSTEM CORP. Legal Representative Chairman, Taiwan Automation Intelligence and Robotics Association (TAIROA) Founding Chairman, Taiwan Machine Tool & Accessory Builders' Association (TMBA),	HIWIN MIKROSYSTEM CORP. CEO HIWIN TECHNOLOGIES CORP. CEO Holds the Director position: -HIWIN TECHNOLOGIES CORP. -Matrix Precision Co., Ltd. Legal Representative Director & Co-CEO -HIWIN INVESTMENT AND HOLDING CORP. -HIWIN Education Foundation	Chairman Executive President	Chuo Shou-yeu You Kai-sheng	Father and Daughter Son-in-law	-

Title	Nationality / Place of Incorporation	Name	Gender Age	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
															Honorary Chairman					
Director	ROC	Si Guo-yi	Male, 61-70 y/o	2003.06.27	2021.7.22	3 years	647,511	0.55%	623,986	0.52%	160,630	0.13%	—	—	Universität Paderborn, Germany. Doctor of Engineering, Taiwan Electronic Equipment Industry Association (TEEIA) Director, Taiwan Automation Intelligence and Robotics Association (TAIROA) Chairman	HIWIN MIKROSYSTEM CORP. President Mega-Fabs Motion Systems Ltd. Chairman	—	—	—	-
Director	ROC	Yongchiang Investment Co., Ltd.	—	2018.12.12	2021.7.22	3 years	1,997,407	1.68%	2,067,881	1.73%	—	—	—	—	—	—	—	—	—	-
		Representative Li Shun-chin	Male, 61-70 y/o				263,885	0.22%	266,523	0.22%	389,206	0.32%	—	—	University of California-Berkeley, MBA, Feng Chia University, MBA	Holds the position of Chairman: -Market Finder Corporation -Naiqiang, Ltd. -Jen Yong Ltd. -Yongchiang Investment Co., Ltd.(Legal Representative) Holds the position of Director: -HIWIN TECHNOLOGIES CORP.	—	—	—	-
Director	ROC	Chang Lian-gji	Male, 71-80 y/o	2018.05.08	2021.7.22	3 years	323,946	0.27%	327,185	0.27%	438,793	0.37%	—	—	Chinese Culture University, B.A., HIWIN TECHNOLOGIES CORP. Supervisor, Long Life Nutraceutical Intl. Co., Ltd. Chairman, Taiwan Cooperative Bank ., Specialist	—	—	—	—	-
Director	ROC	HIWIN TECHNOLOGIES CORP.	—	2018.12.12	2021.7.22	3 years	9,431,363	7.95%	9,525,676	7.95%	—	—	—	—	—	—	—	—	—	-

Title	Nationality / Place of Incorporation	Name	Gender Age	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Concurrently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
		Representative Liao Ke-huang	Male, 51-60 y/o				36,632	0.03%	36,998	0.03%	—	—	—	—	National Chung Hsing University, Master of Accounting, HIWIN TECHNOLOGIES CORP. Executive Assistant Manager	HIWIN TECHNOLOGIES CORP. Finance Department Assistant President Holds the position of Director: -HIWIN S.R.L -HIWIN GmbH -HIWIN Education Foundation Holds the position of supervisor: -HIWIN CORPORATION, Japan -Eterbright Solar Corporation - Matrix Precision Suzhou Co., Ltd.	—	—	—	-
Independent Director	ROC	Gu Jia-heng	Male, 71-80 y/o	2018.12.12	2021.7.22	3 years	—	—	—	—	—	—	—	—	University of Notre Dame, Master and Doctor of Machine Engineering, Chancellor of China University of Technology, CSBC CORPORATION, TAIWAN Independent Director, Industrial Technology Research Institute (ITRI) Vice President	HIWIN MIKROSYSTEM CORP. Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee China University of Science and Technology Director Jinwen University of Science and Technology Director Nan Kai University of Science and Technology Director	—	—	—	-
Independent Director	ROC	Chang Chue-bin	Male, 71-80 y/o	2018.12.12	2021.7.22	3 years	—	—	—	—	—	—	—	—	Ph.D., Institute of Mechanics and Aeronautics, Cornell University, USA, Chair Professor and Acting Chancellor of Kao Yuan University, Vice Chancellor Chief Reviewer of the Board of Science and Technology (BOST) of the Executive Yuan, Director of Hsi-Chun Hua Air Force Foundation, Chairman of Innowings Investment & Consulting Corporation, Director of Air Asia Company Limited , Supervisor of China Engine Corporation, Tech. Consultant to the Department of Industrial Technology (DoIT) of the Ministry of Economic Affairs, Senior Vice President of International Turbine Engine Company LLC., Chief Engineer of Aerospace Technology Research And Development Center of ROCAF/Aerospace Industrial Development Corporation	HIWIN MIKROSYSTEM CORP. Member of Audit Committee, Remuneration Committee and Nomination Committee Convener China Steel Corp. Independent Director Advanced International MultiTech Co., Ltd. Independent Director	—	—	—	-

Title	Nationality / Place of Incorporation	Name	Gender Age	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience （Education）	Concurrently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	ROC	Chen Chong-ren	Male, 51~60 y/o	2018.12.12	2021.7.22	3 years	—	—	—	—	—	—	—	—	Bachelor of Accounting, National Cheng Kung University, Specialist, Accounting Office, Bank of Taiwan, Manager of the Audit Office of Taiwan Financial Holdings Co., Ltd., Director of Accounting, Accounting Office, Chung Yuan University,	HIWIN MIKROSYSTEM CORP. Audit Committee Convener, Member of Remuneration Committee and Nomination Committee	—	—	—	-

Note : Where the Chairman of the Board of Directors and the President or a person with equivalent position (top- level manager) of a company are the same person, spouses, or relatives within the first degree of kinship: None

1. Major shareholders of institutional shareholders:

March 31, 2024

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders	
	Name	Holding %
HIWIN TECHNOLOGIES CORP. (Note 1)	HIWIN INVESTMENT AND HOLDING CORP.	8.14%
	Representative: Chuo Wen Hen	1.93%
	Nan Shan Life Insurance Company, Ltd. Representative: Yin Chong-yao	3.50%
	Eric Y. T. Chuo	3.10%
	Li Shun-chin	2.53%
	Cathay Life Insurance Co., Ltd. Representative: Huang Tiao-guei	1.99%
	Labor Pension Fund (The New Fund)	1.97%
	Chuo Wen-Hen	1.93%
	Citibank (Taiwan) Limited, Fiduciary Fidelity Funds - Noregs Bank Investment Account	1.69%
	First Commercial Bank - Li Shun-chin Trust Account	1.69%
	Chuo Shiu-min	1.52%
HIWIN INVESTMENT AND HOLDING CORP. (Note 2)	Chuo You-ying	22.79%
	Chuo You-song	19.70%
	Chuo You-po	19.70%
	Chuo Wen-Hen	18.82%
	Chuo Shou-yeu	9.50%
	Tsai Hui-ching	5.76%
	Chuo Shiu-min	2.69%
	Chiu Yu-fang	0.39%
	Chiu Yu-jen	0.39%
	Hu Ming-xin	0.18%
Yongchiang Investment Co., Ltd.(Note 3)	Jen Yong Ltd.	50%
	Nai qiang, Ltd.	50%

Note 1: According to HIWIN TECHNOLOGIES CORP., the information on major shareholders as of March 31, 2023 was disclosed in the 2022 annual report.

Note 2: Based on the shareholder register of HIWIN INVESTMENT AND HOLDING CORP., as at March 31, 2024

Note 3: Based on the shareholder register of Yongchiang Investment Co., Ltd., as at March 31. 2024

2. Major shareholders of institutional shareholders

March 31, 2024

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders	
	Name	Holding %
Jen Yong Ltd. (Note)	Li Shun-chin	5.71%
	Chen Mei-yue	5.71%
	Li Cheng-lun	5.71%
	Li Ai-lun	5.71%
	Li Wei-lun	5.71%
	Nai qiang, Ltd.	71.43%
Nai qiang, Ltd.(Note)	Li Shun-chin	5.71%
	Chen Mei-yue	5.71%
	Li Cheng-lun	5.71%
	Li Ai-lun	5.71%
	Li Wei-lun	5.71%
	Jen Yong Ltd.	71.43%

Note: Based on the shareholder register of Jen Yong Ltd. and Nai qiang, Ltd., as at March 31, 2024

3. Information on professional qualifications of Directors and on independence of Independent Directors

<table>
<tr><th>Criteria
Name</th><th>Professional qualifications and experience</th><th>Independence</th><th>Number of other public companies where the person is concurrently serving as an independent director</th></tr>
<tr><td>Chuo Shou-yeu, Chairman</td><td rowspan="9">For the Directors' professional qualifications and experience, please refer to the "Director Member Information" in this annual report (pages 8-11)

None of the directors are classified under Article 30 of the Companies Act. (Note 1)</td><td rowspan="6">Not applicable</td><td>0</td></tr>
<tr><td>HIWIN INVESTMENT AND HOLDING CORP.
Representative: Eric Y. T. Chuo, Vice Chairman</td><td>0</td></tr>
<tr><td>Si Guo-yi, Director</td><td>0</td></tr>
<tr><td>Yongchiang Investment Co., Ltd.
Representative: Li Shun-chin, Director</td><td>0</td></tr>
<tr><td>Chang Lian-gji, Director</td><td>0</td></tr>
<tr><td>HIWIN TECHNOLOGIES CORP.
Representative: Liao Ke-huang, Director</td><td>0</td></tr>
<tr><td>Gu Jia-heng,
Independent Director</td><td rowspan="3">All Independent Directors meet the following conditions:
1. Comply with Article 14-2 of the Securities Exchange Law promulgated by the Financial Regulatory Commission and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2)
2. Director (or in the name of others), spouse and minor children hold no shares in the Company.
3. Remuneration received by the Company or its affiliated companies for business, legal, financial, accounting and other services has not been provided in the last two years.</td><td>0</td></tr>
<tr><td>Chang Chue-bin, Independent Director</td><td>2</td></tr>
<tr><td>Chen Chong-ren,
Independent Director</td><td>0</td></tr>
</table>

Note 1: Those who fall under the following conditions shall not be appointed as managers. Those who have already been appointed shall be dismissed accordingly:

1. Have committed a crime specified in the Organized Crime Prevention Act, post-conviction, have not started serving the sentence or have not completed serving the sentence; the probation has expired, or the pardon has not exceeded five years
2. Have committed fraud, breach of trust or embezzlement and have a determinate prison sentence of more than one year, and have not started serving the sentence or have not completed serving the sentence; the probation has expired, or the pardon has not exceeded two years
3. Have committed a crime under the Anti-Corruption Act and have been convicted of the crime and have not started serving the sentence or have not completed serving the sentence; the probation has expired, or the pardon has not exceeded two years
4. Have declared bankruptcy or have started liquidation procedures as determined by the court, but without reinstatement of rights
5. A bill of exchange is dishonored and the term of such sanction has not expired.
6. Have no capacity to make juridical acts or have a limited capacity to make juridical acts
7. A commencement of guardianship has not been revoked.

Note 2: Two years prior to being elected and during the term of office, the following independence assessment criteria have been met:

1. Not a government entity, legal person or its representative as stipulated in Article 27 of the Company Act
2. Concurrently serving as an Independent Director of other three or less public companies
3. Not classified under any of the following in two years before the election and during the term of office:
   (1) An employee of the Company or its affiliated companies
   (2) A director or supervisor of the Company or its affiliated companies
   (3) 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 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
   (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
   (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top 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) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
   (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
   (8) A director, supervisor, officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company
   (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any 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.

4. Diversification and independence of Board of Directors:

(1) Board of Directors Diversification

In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company's “Code of Practice on Corporate Governance” stipulates that the composition of the Board of Directorsshall be determined by taking diversity into consideration. It is advisable that Directors to possess the two but not be limited to, perspacts of standards, basic requirements and values, professional knowledge and skills.The Company's current Board consists of 9 Directors, including 3 natural-person Directors, 3 legal-Person Directors and 3 Independent Directors. All Independent Directors have not serverd for more than 3 consecutive terms of office. The composition of Directors is diversified, with different core competencies, in addition to Independent Directors with different professional backgrounds.

(2) Specific management objectives

The Company's Board of Directors shall set the Company's strategies, supervise top-level management, and are accountable to the Company and shareholders. The operations and organization of its corporate governance policies shall ensure that the Board of Directors exercises its powers in accordance with laws and regulations, the “Articles of Association” or shareholder resolutions. In order to strengthen the functions of the Board of Directors in achieving the goals of corporate governance, Article 20 of the Company's "Code of Practice on Corporate Governance" stipulates that the Board of Directors should have overall capabilities (i.e., operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, international market perspective, leadership, and decision-making) and at least 3 directors with expertise in each of the fields. In addition, the members of the Board of Directors shall include at least one female director; directors who also serve as managers of the Company should not exceed one-third of the number of Directors; no more than two directors shall be spouse or within the second degree of kinship.

(3) Achievements

There are 9 members serving on the 10th Board of Directors (including 3 Independent Directors). Each term of office is 3 years and directors are eligible for re-election. There is one female director (accounting for 11%); three directors are managers of the Company (accounting for 33%); two with relatives within the second degree of kinship (accounting for 22%); Independent Directors account for 33% (3 Independent Directors have been on the board for 4 to 6 years). There are at least 2 independent directors with expertise in each field, which is in line with thediversity goals of the Board. The implementation of the diversification policy of the Board of Directors is illustrated as follows.

Director’s Name	Nationality	Gender	Concurrently serving as an employee of the Company	Age (y/o)	Independent Director Term (Seniority)	Industry experience		Professional ability		
						Banking	Assets Management	Accounting	Technology	Risk Management
Chuo Shou-yeu	ROC	Female	V	below 60	-	V	V	V		V
HIWIN INVESTMENT AND HOLDING CORP., Representative: Eric Y. T. Chuo	ROC	Male	V	over 71	-	V	V	V	V	V
Yongchiang Investment Co., Ltd. Representative: Li Shun-chin	ROC	Male		61-70	-		V			V
Chang Lian-gji	ROC	Male		over 71	-	V	V	V		V
HIWIN TECHNOLOGIES CORP. Representative: Liao Ke-huang	ROC	Male		below 60	-		V	V		V
Si Guo-yi	ROC	Male	V	61-70	-		V		V	V
Gu Jia-heng	ROC	Male		over 71	4-6 years		V		V	V
Chang Chue-bin	ROC	Male		over 71	4-6 years		V		V	V
Chen Chong-ren	ROC	Male		below 60	4-6 years	V		V		V

Director’s Name	Business judgment	Accounting and Financial Analysis	Operational Management	Crisis Management	Industry Knowledge	International Market Perspective	Leadership	Decision Making
Chuo Shou-yeu	V	V	V	V	V	V	V	V
HIWIN INVESTMENT AND HOLDING CORP. Representative: Eric Y. T. Chuo	V	V	V	V	V	V	V	V
Yongchiang Investment Co., Ltd. Representative: Li Shun-chin	V		V	V	V	V	V	V
Chang Lian-gji	V	V	V	V	V	V	V	V
HIWIN TECHNOLOGIES CORP. Representative: Liao Ke-huang	V	V	V	V	V	V	V	
Si Guo-yi	V		V	V	V	V	V	V
Gu Jia-heng			V		V	V	V	V
Chang Chue-bin			V		V	V	V	V
Chen Chong-ren		V			V	V	V	
Target No. of Directors	3	3	3	3	3	3	3	3
No. of Directors Achieved	6	5	8	6	9	9	9	7
Achievement Rate	100%	100%	100%	100%	100%	100%	100%	100%

(2) President, Vice President, heads of various departments and branches

March 31. 2024

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience （Education）	Other Positions	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	ROC	Eric Y. T. Chuo	Male	2017.06.30	1,476,145	1.23%	1,224,083	1.02%	—	—	University of San Francisco, Master of Public Administration, National Kaohsiung University of Science and Technology (NKUST), Hon PhD of Engineering , National Chung Cheng University, Hon PhD of Management, National Taiwan University of Science and Technology, Hon PhD of Engineering, National Tsing Hua University, Hon. Doctor of Philosophy, China Medical University, Hon. Doctor of Engineering, National Taiwan University, Hon. Doctor of Science, Matrix Precision Co., Ltd. Chairman, HIWIN MIKROSYSTEM CORP. Legal Representative Chairman, Taiwan Automation Intelligence and Robotics Association (TAIROA) Founding Chairman, Machine Tool & Accessory Builders' Association (TMBA), Honorary Chairman	HIWIN TECHNOLOGIES CORP.CEO Holds the position of Director: -HIWIN TECHNOLOGIES CORP. -Matrix Precision Co., Ltd. Legal Representative Director, and Co-CEO -HIWIN INVESTMENT AND HOLDING CORP. -HIWIN Education Foundation	Deputy CEO Executive Vice President	Chuo Shou-yeu You Kai-sheng	Father and Daughter Son-in-law	-
Deputy CEO	ROC	Chuo Shou-yeu	Female	2021.03.22	22,395,630	18.69%	928,689	0.78%	-	-	Master of Financial Management, Baruch College, USA, Sino Bank, Secretary to Chief Financial Officer, HIWIN MIKROSYSTEM CORP. Vice Chairman	Holds the position of Director: -HIWIN TECHNOLOGIES CORP. -HIWIN INVESTMENT AND HOLDING CORP. -HIWIN Business Management Co., Ltd. -Hiwin Corporation, USA -Hiwin Singapore Pte Ltd. -Hiwin GmbH Matrix Precision Co., Ltd. Vice Chairman/Co-CEO HIWIN CORPORATION, Japan. Director	CEO Executive Vice President	Eric Y. T. Chuo You Kai-sheng	Father and Daughter Spouse	-
President	ROC	Si Guo-yi	Male	2017.06.01	623,986	0.52%	160,630	0.13%	—	—	Universität Paderborn, Germany. Doctor of Engineering, Taiwan Electronic Equipment Industry Association (TEEIA) Director, Taiwan Automation Intelligence and Robotics Association (TAIROA) Chairman	Mega-Fabs Motion Systems Ltd. Chairman	—	—	—	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience （Education）	Other Positions	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Executive VP	ROC	You Kai-sheng	Male	2017.06.01	928,689	0.78%	22,395,630	18.69%	—	—	Pace University, Master of Financial Management Cathay Life Securities Investment Researcher, HIWIN Technologies Assistant Manager, Taiwan Electronic Equipment Industry Association (TEEIA) Executive Director	Holds the position of Director: -Mega-Fabs Motion Systems Ltd. -HIWIN Technologies, Korea -HIWIN Singapore Pte Ltd. -HIWIN Technologies, China HIWIN Business Management Co., Ltd. Supervisor	CEO Deputy CEO	Eric Y. T. Chuo Chuo Shou-yeu	Son-in-law Spouse	
Finance director Head of Accounting Head of Corporate Governance	ROC	Chen Mei-yen	Female	2019.07.01	135,453	0.11%	15,975	0.01%	—	—	Master of Business Administration, Feng Chia University HIWIN MIKROSYSTEM CORP. Senior Director	—	—	—	—	

Note 1: Date of appointment under current title

Note 2: The President or equivalent position (top manager) and the Chairman are the same person, each other's spouse, or relatives: None

Note 3: Refers to incumbents as of the date of publication of the annual report.

(3) Remuneration paid to directors and senior managers in the most recent year

1. Remuneration of Directors and Independent Directors

Unit: NT$1000

Title	Name	Director Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 1)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Remuneration (A)		Severance Pay (B)		Directors Remuneration(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Remuneration (G) (Note 2)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Director	Chuo Shou-yeu HIWIN INVESTMENT AND HOLDING CORP. Representative: Eric Y. T. Chuo Si Guo-yi Yongchiang Investment Co., Ltd. Representative: Li Shun-chin Chang Lian-gji HIWIN TECHNOLOGIES CORP. Representative: Liao Ke-huang	—	—	—	—	-	-	1,440	1,440	1,440 28.23%	1,440 28.23%	25,986	25,986	543	543	54	0	54	0	28,023 549.37%	28,023 549.37%	None
Independent Director	Gu Jia-heng Chang Chue-bin Chen Chong-ren	6,000	6,000	—	—	—	—	—	—	6,000 117.63%	6,000 117.63%	-	-	-	-	-	-	-	-	6,000 117.63%	6,000 117.63%	None

1. Please specify the Independent Director's remuneration distribution policy, system, standards, and structure, as well as their correlation with the amount of remuneration paid according to the responsibilities, risks, investment time and other factors:
   The remuneration of the Company's Independent Directors, in accordance of the "Director Performance Appraisal and Remuneration Policy", is a fixed monthly sum. Independent Directors do not participate in the annual distribution for Directors.
2. Except as disclosed in the table above, the remuneration received by the Company director for services provided in the most recent year (such as serving as a consultant for non-employees of the parent company/all companie investment undertakings in the financial report, etc.): None.

Note 1: The after-tax surplus is based on the financial statements approved by the CPA in 2023.

Note 2: As of the date of publication of the annual report, the list of employee remuneration allotments has not yet been determined, so the proposed allotment for this year is calculated based on the actual allotment ratio of previous years

Remuneration Range

Remuneration range of Company Directors	Director's Name			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than NT$ 1,000,000	Chuo Shou-yeu, HIWIN INVESTMENT AND HOLDING CORP. (Representative Eric Y. T. Chuo), HIWIN TECHNOLOGIES CORP. (Representative Liao Ke-huang), Si Guo-yi, Yongchiang Investment Co., Ltd. (Representative Li Shun-chin), Chang Lian-gji	Chuo Shou-yeu, HIWIN INVESTMENT AND HOLDING CORP. (Representative Eric Y. T. Chuo), HIWIN TECHNOLOGIES CORP. (Representative Liao Ke-huang), Si Guo-yi, Yongchiang Investment Co., Ltd. (Representative Li Shun-chin), Chang Lian-gji	HIWIN TECHNOLOGIES CORP. (Representative Liao Ke-huang), Yongchiang Investment Co., Ltd. (Representative Li Shun-chin), Chang Lian-gji	HIWIN TECHNOLOGIES CORP. (Representative Liao Ke-huang), Yongchiang Investment Co., Ltd. (Representative Li Shun-chin), Chang Lian-gji
NT$1,000,000 - NT$1,999,999	Gu Jia-heng, Chang Chue-bin	Gu Jia-heng, Chang Chue-bin	Gu Jia-heng, Chang Chue-bin	Gu Jia-heng, Chang Chue-bin
NT$2,000,000 - NT$3,499,999	Chen Chong-ren	Chen Chong-ren	Chen Chong-ren	Chen Chong-ren
NT$3,500,000 - NT$4,999,999	—	—	—	—
NT$5,000,000 - NT$9,999,999	—	—	Chuo Shou-yeu, Si Guo-yi	Chuo Shou-yeu, Si Guo-yi
NT$10,000,000 - NT$14,999,999	—	—	HIWIN INVESTMENT AND HOLDING CORP. (Representative Eric Y. T. Chuo),	HIWIN INVESTMENT AND HOLDING CORP. (Representative Eric Y. T. Chuo),
NT$15,000,000 - NT$29,999,999	—	—	—	—

NT$30,000,000 - NT$49,999,999	—	—	—	—
NT$50,000,000 - NT$99,999,999	—	—	—	—
Greater than or equal to NT$100,000,000	—	—	—	—
Total	9 People	9 People	9 People	9 People

2. Remuneration of CEO, President, and Vice Presidents

Unit: NT$1000

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Remuneration (D) (Note 1)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Eric Y. T. Chuo	25,560	25,560	651	651	6,492	6,492	75	0	75	0	35,778 642.58%	35,778 642.58%	None
Deputy CEO	Chuo Shou-yeu													
President	Si Guo-yi													
Executive Vice President	You Kai-sheng													

Note : The allocated employee remuneration in 2023 was NT$1,000 thousand. As of the publication date of the annual report, the employee remuneration distribution list has not yet been determined, so the proposed distribution amount for this year is calculated based on the actual distribution ratio in previous years.

Remuneration Range

Remuneration range of Company CEO, President, and Deputy President	Names of CEO, President, and Vice President	
	The Company	Companies in the consolidated financial statements
Less than$ 1,000,000		
NT$1,000,000 - NT$1,999,999		
NT$2,000,000 - NT$3,499,999		
NT$3,500,000 - NT$4,999,999		
NT$5,000,000 - NT$9,999,999	Chuo Shou-yeu, Si Guo-yi, You Kai-sheng	Chuo Shou-yeu, Si Guo-yi, You Kai-sheng
NT$10,000,000 - NT$14,999,999	Eric Y. T. Chuo	Eric Y. T. Chuo
NT$15,000,000 - NT$29,999,999		
NT$30,000,000 - NT$49,999,999		
NT$50,000,000 - NT$99,999,999		
Greater than or equal to NT$100,000,000		
Total	4 People	4 People

4. Names of managers in charge of employee remuneration and distribution:

March 31. 2024
Unit: NT$1000

Managers	Title	Name	Stock	Cash	Total	Proportion of total amount to net profit after tax
	CEO	Eric Y. T. Chuo	0	81	81	1.59%
	Deputy CEO	Chuo Shou-yeu				
	President	Si Guo-yi				
	Executive Vice President	You Kai-sheng				
	Head of finance, head of accounting, head of corporate governance	Chen Mei-yen				

Note 1: The employee remuneration allocated for 2023 was NT$1,000,000. As of the date of publication of the annual report, the list of employee remuneration distribution has not yet been determined. Therefore, the proposed distribution for this year is calculated based on the actual distribution ratio in previous years.

Note 2: Refers to incumbents as of the publication date of this annual report.

(4) Analysis of the ratio of the total remuneration (to the after-tax net profit) paid to Directors, Presidents, and Vice Presidents in the last two years by the Company and all companies in the consolidated statements; explanation of the policy, standard and combination of remuneration distribution, the formula for setting remuneration and operating performance and future risks

1. Analysis of the ratio of the total amount of remuneration (to the after-tax net profit) paid to Directors, Presidents, and Vice Presidents in the last two years by the Company and all companies in the consolidated statement:

Item / Title	Ratio of total remuneration to net profit after tax			
	2023		2022	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	667.00%	667.00%	17.29%	17.29%
CEO, President, and Vice President	642.58%	642.58%	14.51%	14.51%

Note 1. The after-tax net profit attributable to the parent company in 2023 was NT$5,101,000.

2. The after-tax net profit attributable to the parent company in 2022 was NT$326,942,000.

3. On February 27, 2024, the Company's board of directors approved the appropriation of NT$1,000 thousand for employee remuneration and NT$0 for directors' remuneration in 2023, accounting for 19.6% and 0% of the 2023 after-tax profit, respectively. As of the publication of the annual report, the employee remuneration distribution list has not yet been determined, and this is a tentative estimate of the proposed distribution.

4. The total remuneration of directors includes relevant compensation received by part-time employees, so there is an overlap with regard to the calculation of the total remuneration of the CEO, Presidents, and Vice Presidents.

2. The policy, standard and combination of remuneration distribution, procedures for determining remuneration, the correlation between business performance and future risks

(1) Article 31 of the Company's Articles of Association stipulates that if the Company generates profit in a year, it should allocate no less than 1% for employee remuneration and no more than 4% for directors' remuneration. The appropriation amount shall be released only after the Remuneration Committee's review; after which, it will be submitted to the Board of Directors for discussion and to be reported during the Shareholders' Meeting.

(2) The Company's procedures for determining the remuneration of Directors, the President, and Vice Presidents are guided by the "Director Performance Appraisal and Compensation Policy," "Director Performance Evaluation Method," and "Manager Performance Appraisal and Bonus Policy." Director compensation is not only influenced by the Company's overall operational performance, future industry risks, and development trends, but also by internal assessments conducted through self-assessment questionnaires. Assessment criteria include understanding of company goals and missions, awareness of director responsibilities, level of participation in company operations, management and communication of internal relationships, professionalism, ongoing learning (such as corporate governance courses), internal controls, and contribution to the Company. The compensation of the President and Vice Presidents follows the Company's "Policy for Employee Salaries and Managers' Benefits", considering both the manager's individual performance and the Company's overall operational performance and future risks. Recommendations are presented to the Remuneration Committee and then to the Board of Directors for resolution. This allows for periodic reviews of the remuneration system based on

actual operating conditions and relevant laws and regulations, ensuring a balance between the Company's sustainable operations and risk management.

(3) The performance evaluation and compensation rationality of the Company's directors and managers both have undergone a thorough review by the Remuneration Committee, and have been examined by the Board’s annual appraisal and audit. Key factors considered include the attainment rates of performance by each responsibility unit, progress of ESG project implementation, profitability, and contribution to the Company. Moreover, the Company's overall operational performance, future industry risks, and development trends are also factored in. The prevailing trends in corporate governance is also considered, to determine the appropriate remuneration level.

3. Implementation of Corporate Governance

(1) Board Operations

There were 5 (A) board meetings in 2023. The actual attendance rate of all directors was 44/45 = 97.78%. The attendance of individual directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Chuo Shou-yeu	5	0	100%	
Vice Chairman	HIWIN INVESTMENT AND HOLDING CORP. Representative: Eric Y. T. Chuo	5	0	100%	
Director	Yongchiang Investment Co., Ltd. Representative: Li Shun-chin	5	0	100%	
Director	Si Guo-yi	5	0	100%	
Director	Chang Lian-gji	5	0	100%	
Director	HIWIN TECHNOLOGIES CORP. Representative: Liao Ke-huang	4	1	80%	
Independent Director	Gu Jia-heng	5	0	100%	
Independent Director	Chang Chue-bin	5	0	100%	
Independent Director	Chen Chong-ren	5	0	100%	

Other supplementary notes

1. Shall any of the following events occur during a board meeting, the date, period, content of the proposal, opinions of all independent directors, and the Company's handling of independent directors' opinions are to be disclosed:
   (1) Items listed in Article 14-3 of the Securities Exchange Act: Not applicable. The Company has audit committee. For further information please refer to the Operation of the Audit Committee in this report.
   (2) Except for the above-mentioned matters, other resolutions of the Board of Directors that have been opposed or reserved by independent directors with records or written statements: None.
2. For the implementation of directors' recusal from involvement in proposals with potential conflict of interest, the director's name, content of proposal, and reasons for recusal and abstention from voting should be disclosed.
   (1) Board Meeting on February 23, 2023
   Proposal Content: Resolution to Lift Restriction on Non-competition for the Chairman.
   Recused Directors: Chairman Chou Shou-yeu, Vice Chairman Eric Y.T. Chuo
   Reasons for Recusal and Abstention from Voting: Pursuant to Article 206 of the Company Act, Chairman Chou Shou-yeu and Vice Chairman Eric Y.T. Chuo, due to their vested interest in this proposal, were required to abstain from participating in the meeting and exercising their voting rights. The remaining directors present, after consultation with the acting chairman, found no detriment to the company's interests, thus had no objections to the proposal and subsequently passed it.

   (2) Board Meeting on April 11, 2023
   Proposal content: Resolution to Lift Restriction on Non-competition for the Directors
   Recused directors: Chairman Chou Shou-yeu, Vice Chairman Eric Y.T. Chuo and Director Liao Ke-huang
   Reasons for recusal and abstention from voting: Pursuant to Article 206 of the Company Act, Chairman Chou Shou-yeu, Vice Chairman Eric Y.T. Chuo and Director Liao Ke-huang, due to their vested interest in this proposal, were required to abstain from participating in the meeting and exercising their voting rights. The remaining directors present, after consultation with the acting chairman, found no detriment to the company's interests, thus had no objections to the proposal and subsequently passed it..

   Proposal content: Resolution to Lifting Restriction on Non-competition for the Managers.
   Recused directors: Chairman Chou Shou-yeu and Vice Chairman Eric Y.T. Chuo.
   Reasons for recusal and abstention from voting: Pursuant to Article 206 of the Company Act, Chairman

Chou Shou-yeu and Vice Chairman Eric Y.T. Chuo due to their vested interest in this proposal, were required to abstain from participating in the meeting and exercising their voting rights. The remaining directors present, after consultation with the acting chairman, found no detriment to the company's interests, thus had no objections to the proposal and subsequently passed it.
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(3) Board Meeting on November 10, 2023
Proposal Content: Appointment of the First Nomination Committee Members of the Company
Recused Directors: Independent Directors Gu Jia-heng, Chang Chue-bin, and Chen Chong-ren
Reasons for Recusal and Abstention from Voting: Pursuant to Article 206 of the Company Act, Independent Directors Gu Jia-heng, Chang Chue-bin, and Chen Chong-ren, due to their vested interest in this proposal, were required to abstain from participating in the meeting and exercising their voting rights. The remaining directors present, after consultation with the acting chairman, found no detriment to the company's interests, thus had no objections to the proposal and subsequently passed it.
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3. Self (or peer) Appraisal of implementation status by the Board, such as evaluation cycle and period, scope, method, and content to evaluate: Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Evaluation results
Once a year	2023.01.01 ~ 2023.12.31	Board of Directors	Director's self-assessment	1. Level of involvement in Company operations 2. Enhancement of the quality of decision-making within the board 3. Composition and structure of the board 4. Election of directors and continuing education 5. Internal control	Exceeding the benchmark
Once a year	2023.01.01 ~ 2023.12.31	Individual Director	Director's self-assessment	1. Understanding Company goals and tasks 2. Understanding directors' responsibilities 3. Level of involvement in Company operations 4. Internal relationship management and communication 5. Professional and continuing education of directors 6. Internal control	Exceeding the benchmark
Once a year	2023.01.01 ~ 2023.12.31	Audit Committee	Self-assessment by Committee Members s	1.Level of involvement in Company operations 2.Understanding of the audit committee's responsibilities 3.Enhancement of decision-making quality within the audit committee 4.Composition and member selection of the audit committee 5.Internal control	Exceeding the benchmark 。

Once a year	2023.01.01 ~ 2023.12.31	Remuneration Committee	Self-assessment by Committee Members	1. Level of involvement in Company operations 2. Understanding the responsibilities of the remuneration committee 3. Enhancement of the quality of decision-making within remuneration committees 4. Composition of remuneration committees and selection of members 5. Internal control	Exceeding the benchmark

4. Results of strengthening the functions of the board in the current year and the most recent year (e.g., establishment of audit committee, improving information transparency, etc.) :
   (1) To improve information transparency, important resolutions were announced on the MOPS.TWSE on the same day in both Mandarin and English. Briefings are to be held when necessary to explain and answer questions in detail for the benefit of investors and reporters. Videos are also disclosed simultaneously to ensure that investors who cannot attend the briefing will receive the same information, for equal opportunities for all investors.
   (2) In addition to disclosing relevant information on the MOPS.TWSE in line with the regulation, a Sustainability area, an Investor area and a Corporate Governance area were also setup on the Company's website to disclose information in detail and in real time concerned by various stakeholders.
   (3) To continuously enhance directors' understanding of corporate governance trends, external speakers are invited to give lectures to the board members to keep abreast of global trends.
   (4) In order to promote corporate governance and effectively perform the functions of the board, the Company has appointed a head of corporate governance in accordance with "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".
   (5) The Company has obtained indemnity insurance for directors and important officers to protect against legal liability risks and enhance corporate governance capabilities.
   (6) The board of the Company is composed of nine directors, each with diverse professional backgrounds. This includes three independent directors, who hold one-third of the seats. At present, the Board has one female director. Moving forward, we plan to gradually increase the number of female directors to promote gender equality.

(2) Audit Committee Operations

1. Professional qualifications and experiences of Audit Committee members

The Company sets up an audit committee, which is composed of all independent directors in accordance with the provisions of Article 14-4 of the Securities and Exchange Act. The committee follows the Company's "Audit Committee Organizational Regulations". The Company’s Audit Committee is composed of three independent directors whose professional qualifications and experience are as follows.

Member	Professional qualifications and experience
Gu Chia-heng	• Ph.D. in Mechanical Engineering from the University of Notre Dame, former Chancellor of China University of Science and Technology and Kaohsiung University of Science and Technology, qualified lecturer in public and private colleges and universities in departments relevant to the Company's business • Has a mechanical technician license from the Examination Yuan, and a certified professional and technical personnel who passed the national examination • Former Vice President of ITRI, Director of Science and Technology Advisory Office of the Ministry of Economic Affairs, has more than five years work experience in the fields of business, legal affairs, finance, and accounting as well as the Company’s businesses
Chang Shue-bin	• Ph.D. from the Institute of Mechanics and Aeronautics, Cornell University, former Vice Chancellor and Dean of the School of Information of Kao Yuan University of Science and Technology, qualified lecturer in public and private colleges and universities in departments relevant to the Company's businesses • Former chief reviewer of the Board of Science and Technology (BOST) of the Executive Yuan, currently an independent director of China Steel Corporation, has more than five years work experience in the fields of business, legal affairs, finance, and accounting, as well as the Company’s businesses
Chen Chong-ren	• Bachelor of Accounting from National Cheng Kung University, certified accountant and internal auditor, a certified professional and technical personnel who passed the national examination • Worked as manager of the Audit Department of the Board of Directors of Taiwan Financial Holdings Co., Ltd. and Director of Accounting, Accounting Office, Chung Yuan University, has more than five years work experience in the fields of business, legal affairs, finance, and accounting, as well as the Company’s businesses

2. ts main functions and powers are as follows:

(1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities Exchange Act.
(2) Assessment of the effectiveness of the internal control system.
(3) The adoption or amendment, pursuant to Article 36-1 of the Securities Exchange Act, of procedures for handling financial and business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
(4) Matters in which a director is and interested party.
(5) Asset transactions or derivative trading of a material nature.
(6) Loans of funds, endorsements or provision of guarantees of a material nature.
(7) The offering, issuance, or private placement of equity-type securities.
(8) The appointment or dismissal of CPAs, or their compensation.
(9) The appointment or discharge of a financial, accounting, or internal audit officer.
(10) Annual financial reports signed or sealed by the chairman, a manager or an accounting chief, and the second quarter financial report to be audited and attested by a CPA.
(11) Other material matters as may be required by the Company or by the competent authority.

3. Matters under consideration in 2023 included the following:

(1) Financial statement audit and accounting policies and procedures
(2) Assessment of the effectiveness of the internal control system
(3) Directors' personal interests
(4) Endorsements and Guarantees
(5) Qualifications, independence, and suitability of CPAs
(6) Appointment and remuneration of CPAs
(7) Compliance with laws and regulations
(8) Revision of the Company's internal control policies

4. A total of 5 (A) Audit Committee meetings were held in 2023. The attendance of the independent directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)[B/A]	Remarks
Independent Director	Gu Chia-heng	5	0	100%	
Independent Director	Chang Chue-bin	5	0	100%	
Independent Director	Chen Chong-ren	5	0	100%	

Other supplementary notes:

1. If any of the following occurs, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be disclosed:

<table>
<tr><th>(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.Meeting Date （Session）</th><th>Content of the proposal</th><th>Resolution result</th><th>Company's handling of Audit Committee's opinions</th></tr>
<tr><td>2023.02.23
10th meeting of the 2nd Committee</td><td>• The Company's 2022 "Internal Control System Declaration"
• The Company's 2022 annual business report and financial statements
• The Company's 2022 earning distribution plan
• Lifting of restrictions on the non-competition for the Chairman
• Change of CPA in line with the accounting firm's internal rotation
• The independence and suitability of the Company's CPAs and their appointment & remuneration</td><td rowspan="5">After the chairman consulted all members present, the proposal was approved without objection and was submitted to the board for discussion</td><td rowspan="5">The proposal were approved by the boar.</td></tr>
<tr><td>2023.04.11
11th meeting of the 2nd Committee</td><td>• Lifting of restrictions on the non-competition for the directors and their representatives</td></tr>
<tr><td>2023.05.10
12th meeting of the 2nd Committee</td><td>• The Company's consolidated financial report for the first quarter of 2023</td></tr>
<tr><td>2023.08.11
13th meeting of the 2nd Committee</td><td>• The Company's consolidated financial report for the second quarter of 2023
• Proposal to increase the amount of the endorsement and guarantee for Matrix Precision during the construction of the plant in Fengshan Industrial Park</td></tr>
<tr><td>2023.11.09
14th meeting of the 2nd Committee</td><td>• The Company's consolidated financial report for the third quarter of 2023
• Approved the 2023 audit plan
• Proposal to formulate "Procedures for the Compilation and Verification of Sustainability Reports" and "Management Measures for the Compilation and Verification of Sustainability Reports"</td></tr>
</table>

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds of directors or more: None.

2. Incidence for any independent directors who recused themselves due to conflict of interest, the directors' names, content of motion, reason for recusal and voting should be specified: None
3. Communication between the independent directors, the Company's chief internal auditor and CPAs.
   (1) Independent Directors and the internal auditor:
   The head of internal audit has held a close-door discussion with the independent directors at least every six months to explain the internal audits, audit results and progress of ramifications. The communication

between the independent directors and the head of internal audit went well. The communication as of the date of publication of the annual report is as follows.

Date	Communication key point	Communication results
2023.02.23	Issuance of the Company's Statement of Internal Control System for 2022	Contents of the statement was considered and approved by the Board, and was announced to the public and reported to the regulatory authority
2023.05.10 (The head of internal audit reported privately to the independent directors)	Overview on the Internal Audit Engagements for the first half of 2023	After discussion and communication, the Independent Directors had no objection to the report on the audit results.
2023.11.09 (The head of internal audit reported privately to the independent directors)	Overview on the Internal Audit Engagements for the Second Half of 2023	After discussion and communication, the Independent Directors had no objection to the report on the audit results.
2022.02.27	Issuance of the Company's Statement on Internal Control System for the year 2023	Contents of the statement was considered and approved by the Board , and was announced to the public and reported to the regulatory authority.

(2) Independent Directors and CPAs of the Company

The Company's CPAs has held close-door discussions with the independent directors at least every six months. The communication between the independent directors and the CPAs went well. The communication as of the date of publication of the annual report is as follows..

Date	Communication key point	Communication results
2023.02.23 (The accountant reported privately to the independent directors)	● The Company's 2022 Annual Financial Report and discussion of audit findings ● Finding on critical Audit topics ● New legislations and standards applicable	The annual financial statements were approved by the Audit Committee and the Board , and were announced to the public and reported to the regulatory authority.
2023.11.09 (The accountant reported privately to the independent directors)	● Financial Reporting Audit Plan for 2023 (including communication of Critical Audit Topics) ● Fraud Assessment and Significant Risk Report ● Accountants' Discussion and Communication of Issues Raised by Independent Directors	After discussion and communication, no objection was raised.
2024.02.27 (The accountant reported privately to the independent directors)	● The Company's 2023 Annual Financial Report and discussion of audit findings ● Findings on critical Audit topics ● New legislations and stanadards applicablet	The annual financial statements were approved by the Audit Committee and the Board, and were announced to the public and reported to the regulatory authority.

4. The Company shall convene the Audit Committee on a regular basis and invite the accountant, the head of audit, and relevant officers to attend the meetings as deemed necessary.

(3) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its Corporate Governance Best Practice Principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies"?	V		The Company has established its "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies" and as the basis for implementation of relevant regulations and handling of various disclosures, which are available for download in the Investors webpage of the Company's website.	None
2. Shareholding structure & shareholders' rights				
(1) Has the Company established internal operating procedures to deal with shareholders' suggestions, queries, disputes, and litigations, and managed these based on the procedures?	V		1) The Company has established internal procedures that assign relevant units to deal with shareholders' suggestions, queries or disputes, and has appointed a spokesperson, proxy spokesperson and investor contact window which can be found on the Company's website, providing immediate information and services to shareholders.	None
(2) Does the Company have a list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company keeps track of the shareholdings of Directors, Managers and the top ten shareholders, and to abide by regulations to report relevant information.	None
(3) Has the Company established and executed a risk management and firewall system within its conglomerate structure?	V		(3) The Company has formulated "Administrative Measures for Group Enterprises, Specific Companies and Related Party Transactions", "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" "Operating Procedures for Endorsement" and "Procedures for Lending Funds to Other Parties" in accordance with relevant laws and regulations, and has established a firewall mechanism. It has also setup guidelines for "Supervision and Management of Subsidiaries" to implement the risk control mechanism for subsidiaries in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" issued by the Financial Supervisory Commission.	None
(4) Has the Company established internal rules against using inside information for insider trading	V		(4) The Company has formulated "Procedures for Handling Material Inside Information and Prevention of Insider Trading ", which expressly prohibits company insiders and other persons who are privy to the Company's internal material information given their status, occupation or control from using unpublished information on the market to buy and sell securities. Relevant company personnel are required to strictly comply so as to protect investors and safeguard the rights and interests of the Company. This method is also disclosed on the Company's website	None
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversity policy with regard to the composition of its members?	V		(1) The Company implements a board diversity policy set forth in the "Corporate Governance Best Practice Principles," including but not limited to the following standards: (1) Basic conditions and values: gender, age, nationality, race and culture; (2) Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing or technology), and industry experience. For management objectives and implementation, please refer to the "Diversity and Independence of the Board of Directors" in this annual report.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary Description	
(2) Has the Company voluntarily established other functional committees in addition to the Remuneration Committee and Audit Committee?	V		(2) The Company has set up a remuneration committee and audit committee in accordance with the law. In addition to these committees, a "Nomination Committee" has also been set up, consisting of three independent directors. Its purpose is to enhance the functionality of our Company's board of directors and strengthen management mechanisms.	None
(3) 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 re-election?	V		(3) In order to implement corporate governance and enhance the functions of the Company's board of directors, and to establish performance goals to strengthen the operational efficiency of the board, the Company formulated the Company's "Rules for Performance Evaluation of Board of Directors" in accordance with the Taiwan Securities Regulatory Letter No. 1070025395 dated December 27, 2018, which were approved by the board on November 13, 2019. Before the end of the first quarter of the following year, the deliberative units of the Company's board of directors distributed the "Self-evaluation Questionnaire for Performance Appraisal of the Board of Directors", "Self-assessment Questionnaire for Performance Appraisal of Directors", "Self-assessment Questionnaire for Audit Committees" and "Self-assessment Questionnaire for Performance Appraisal of Remuneration Committees". The assessment results were recorded and sent to the board. The overall performance evaluation results of the board, individual board members, the Audit committees and the Remuneration committees in 2023, were all "exceeding the benchmark" and were noted in the motion of the board of directors on February 27, 2024. The evaluation results were properly recorded and will be used as a reference for future directors' remuneration and election	None
(4) Does the Company regularly evaluate the independence of CPAs?	V		(4) In accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", the Audit Committee assesses annually the independence and appropriateness of the CPA. In addition to requesting the "Statement of Extraordinary Independence" and "Audit Quality Indicators (AQIs)" from the CPA, the Audit Committee also conducts the assessment in accordance with the criteria set out in (Note) and the 13 indicators in the AQIs. It is ratified that the CPA has no direct, or material indirect, financial interests with the Company other than the fees from audits of financial statements and income tax, and does not serve as a director or independent director of the Company, and is not a shareholder of the Company and is not paid by the Company, being at an adequate situation. It is also verified that the audit experience and training hours of the CPA and the firm were better than the industry average, referring to the Audit Quality Indicators (AQIs). The auditing firm has been utilizing digital audit tools in the past three years to improve audit quality. The results of the latest annual appraisal were discussed and approved by the Audit Committee on February 27, 2024, and submitted to the Board of Directors for approval on February 27, 2024.	None
4. Has the Company appointed a suitable number of competent personnel and supervisor responsible for corporate governance matters (including but not limited to providing information on the functions of directors and	V		To implement corporate governance, the Company has desigated appropriate number of corporate governance personnel and, with the approval of the Board of Directors on 27 June 2019, appointed Ms. Chen, Mei-Yan, Head of Finance, as the Head of Corporate Governance. Ms. Chen, who has more than three years of relevant management experience in public companies, is in charge of the following duties: (1) provides information necessary for directors to carry out	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary Description	
supervisors, assisting directors and supervisors with regard to compliance, handling board shareholder meetings, and recording minutes of board meetings and shareholders' meetings)?			their functions, handles matters relating to board and shareholder meetings in accordance with the law, handle the registration of companies and amendments, records minutes of board and shareholder meetings as well as other corporate governance-related matters (2) consults relevant Board members prior to the Board meeting to enable functional committees to plan and prepare the agenda, as well as sends the notice of meetings and related meeting information in accordance with statutory deadlines in order to provide sufficient time for Directors to go over the agenda; after the meeting, the minutes are compiled and sent out in accordance with regulations (3) prepares for shareholder meetings in accordance with the law and Company procedures, and handles the registration of amendments to the Articles of Association after approval or re-election of directors (4) informs the members of the Board of Directors of the latest amendments to laws and regulations relating to Company operations and corporate governance; arrangements are also made for directors to attend professional development courses on corporate governance, finance and legal affairs to help enhance the professional knowledge and legal literacy of directors for a more effective implementation of corporate governance (5) conveness communication meetings with the CPAs, independent directors, internal auditor, and finance directors from time to time to implement internal audit and control systems (6) informs the Board of Directors regularly about the latest legal and regulatory developments in the Company's business and corporate governance, and provides assistance in the appointment of directors and compliance with the law (7) reports to the Board of Directors on the evaluation results of the qualifications of independent directors meet the relevant laws and regulations during the nomination, appointment, and tenure periods. The business initiatives for the year 2023 are as follows: (1) Prepared meeting agendas for the Board of Directors and functional committees as well as information to facilitate meeting proceedings; notified all directors at least seven days prior to the meeting, providing the members with sufficient information to understand the agenda; reminded members in concerning in advance of the need to recuse themselves from certain issues to be discussed in case there were any conflicts of interest. Administered five Board meetings, five Audit Committee meetings and two Remuneration Committee meetings in 2023 (2) Responsible for announcing material information on important resolutions at the Board and shareholder meetings to ensure the compliance and accuracy of contents made public, and to safetguard the equality of obtaining trading information by investors. (3) Evaluated the performance of the Board of Directors and functional committees annually in accordance with the Company's "Rules for Performance Evaluation of Board of Directors" (4) Provided assistance to directors with regard to appointment and compliance with the Act; organized at least six hours of continuing education courses in 2023 to help directors complete the annual training (5) Addressed issues relating to ordinary general meetings in accordance with the Act: registered the date of the general meeting each year according to the deadline specified in the Act, prepared and reported the notice of the meeting, manual and minutes of the meeting before the deadline; registered Company changes after the amendment of the "Articles of Association" or the re-election of directors The Head of Corporate Governance has completed 21 hours of	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary Description	
	V		training in 2023. Please refer to the Annual Report under Head of Corporate Governance and Head of Audit for the complete course information.	
5. Has the Company established a communication channel and built a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as addressed issues related to corporate social responsibility?	V		(1) When necessary, the Company shall instruct relevant departments to assist stakeholders so as to establish good rapport and communication. The Company's website (www.hiwinmikro.tw) has a "Stakeholder" webpage that provides a year-round communication channel for customers, suppliers, employees and the general public, so they can contact the Company in which a dedicated person would respond and address their concerns regarding critical social issues. (2) The Company has a spokesperson system, which will be responsible for responding to corporate and investor-related issues. (3) The Company has also set up an email address, which is a different communication channel for stakeholders. If stakeholders have any suggestions, concerns or complaints, they can use the email address to get in touch with the dedicated point of contact to ensure effective and smooth communication between the Company and its stakeholders..	None
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	V		The administration of the Company's shareholder meetings is held by professional shareholder service provider. This year, Yuanta Securities Co., Ltd has been appointed as our shareholder service agent .	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial information and status of corporate governance?	V		(1) The Company has an official website, which includes a webpage for "Investors" in both English and Chinese to disclose information on financial operations and corporate governance, and reports relevant information on a regular basis through the channels designated by the FSC in accordance with relevant laws and regulations.	None
(2) Does the Company have other information disclosure channels (e.g. English website, designated people to handle information collection and disclosure, spokesman system, webcast of investor conferences)?	V		(2) The Company has set up a website in English and Chinese and has instructed relevant departments to assign dedicated staff to maintain and update the web content and information for the convenience of the public. The Company has also established a spokesperson system, with a spokesperson and acting spokesperson, who are responsible for addressing the concerns of stakeholders on behalf of the Company. The Company's contact information (i.e., telephone and e-mail) can also be found on the website. Information from investor conferences and presentations are posted on the Company website as required.	None
(3) 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 operating results before the prescribed time limit?	V		(3) The Company's consolidated and individual financial statements for the year 2023 were published on February 27, 2024. In addition, the first, second and third quarterly reports and monthly operating results were announced and reported within the prescribed deadlines, as reported on the Market Observation Post System.(https://mops.twse.com.tw/)	None

8. Is there any other important information that can help shareholders understand the system of corporate governance? Describe in detail.

(1) Operational performance
In order to implement corporate governance, the Company has not only established an effective internal control framework and implemented self-assessment on internal control measures, but also welcomed independent directors whose professional experience can help elevate management wisdom and effectiveness, and strengthen the functions of the Board while protecting shareholder rights and interests as well as enhancing information transparency. In addition, the Company has established a public information reporting mechanism in accordance with relevant laws and regulations to enable shareholders and investors to fully understand the Company's financial and business conditions and corporate governance. In order to strengthen corporate governance, the Company has likewise created a website in both English and Chinese to provide timely information to domestic and international investors. There is also a stakeholder platform that serves as a communication channel wherein stakeholders can inquire any time and the Company can promptly take action.

(2) Information on environmental protection expenses and a description of labor relations (staff rights and employee care)
Please refer to Section 5.4 and 5.5 of this annual report.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary Description	

(3) Investor relations

The Company appoints a professional shareholder service agent to handle shareholder matters and treats all shareholders fairly and equally. Shareholders are notified to attend shareholder meetings following procedures as stipulated in the regulations. To protect their rights and interests, shareholders are given sufficient opportunity to ask questions or submit proposals. The Company also prescribes rules and regulations for shareholder meetings in accordance with the law, keeps proper records of shareholder meeting minutes and proceedings, and adequately reports and announces relevant information on the designated websites of competent authorities. In order to ensure that shareholders enjoy the right to be fully informed and to participate in and make decisions on important matters, the Company not only publishes all material information in accordance with the law, but also has a spokesperson and acting spokesperson to handle shareholders' suggestions and concerns and to respond immediately to questions from legal entities and investors so that they can better understand the Company's operating results and business conditions

(4) Supplier relations

The Company maintains a good relationship with its suppliers. It has established an evaluation mechanism for previous suppliers and upholds professsional integrity. In addition to signing integrity pledges and CSR compliance clauses with suppliers, the Company strictly prohibits any form of bribery and adheres to fair trade principles. It provides guidance to regular suppliers through training courses or on-site visits to achieve mutual growth and benefit.

(5) Respect for the rights of stakeholders

The Company is required by law to disclose company information honestly to protect the basic rights of investors and to maintain smooth communication with bankers, employees, customers and suppliers. In addition to various forms of interaction with stakeholders in its day-to-day business, the Company has set up a "Stakeholder Area" on its website where stakeholders can immediatelly get in touch. The Company respects and protects legal rights. It has set up internal Suggestion Boxes in the workplace (Office of the Chairman, HR Department, and the internal audit office) to encourage feedback from employees or stakeholders or to report irregularities and strengthen communication with stakeholders.

(6) Training for Directors

All members of the Board of Directors of the Company were required to attend additional training on corporate governance and related laws and regulations in order to enhance their professional knowledge and legal literacy, and enable them to perform their duties as directors. The directors underwent further training and education as described below:

Title	Name	Training Date	Course Name	Training Hours
Chairman	Chuo Shou-yeu	2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
Vice Chairman	HIWIN INVESTMENT AND HOLDING CORP. Legal Rep: Eric Y. T. Chuo	2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
Director	Yongchiang Investment Co., Ltd. Legal Rep: Li Shun-chin	2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
Director	Chang Liang-ji	2023.05.23	Promotion Conference on Sustainable Development Action Plans for Listed Companies	3
		2023.09.23	Practical Seminar on Sustainable Development	3
Director	HIWIN TECHNOLOGIES CORP. Legal Rep: Liao Ke-huang	2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
		2023.09.23	Practical Seminar on Sustainable Development	3
Director	Si Guo-yi	2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
Independent Director	Gu Chia-heng	2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
Independent Director	Chang Chue-bin	2023.02.15	Corporate Governance - Sustainable Governance - Trends in Sustainable Development and Sustainable Governance	3
		2023.04.12	Corporate Governance Lecture	3
Independent Director	Chen Chong-ren	2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3

(7) Continuing education for the Head of Accounting, Head of Corporate Governance and Head of Audit

Title	Name	Training Date	Course Name	Training Hours
		2023.07.04	2023 Cathay Sustainable Finance and Climate Change Summit	6
		2023.08.10	How the Board of Directors supervise ESG risks and build corporate sustainability competitiveness	3
		2023.08.11	Legal responsibilities of directors and supervisors under ESG	3
		2023.09.22 2023.09.23	Net Zero Sustainable Talent Training Course [Central Region] - Carbon Sink, Carbon Rights, and Carbon Trading	9
Head of Accounting	Chen Mei-yen	2023.09.15	Practical Approaches to Corporate Fraud Prevention: Legal Responsibilities, Forensics, and Big Data Analysis	6
		2023.12.12	Latest Developments in "ESG Sustainability" and "Self-Compiled Financial Reports" Policies and Practices in Internal Control Management	6
Head of Audit	Wang Lo-chia	2023.04.14	Practical Operations of System Logs Analyses	6
		2023.09.08	How to Utilize Big Data to Strengthen Auditing	6

(8) Strengthening corporate governance and protecting investors' interests

The Company has procured imdemnity insurance policies for all its directors and key officers in charge of decision-making and management to reduce risks borne by directors and the Company as well as to strengthen corporate governance. Details are as follows.

Insured	Insurance Company	Insured amount	Insurance Period	Remark
All directors and executives	Shinkong Insurance Co., Ltd.	USD 5,000,000 (Approx. NT$143,500,000)	2022.4.1-2023.4.1	Note 1
All directors and executives	Shinkong Insurance Co., Ltd.	USD 5,000,000 (Approx. NT$152,600,000)	2023.4.1~ 2024.4.1	Note 2

Note 1: Calculated based on the average exchange rate of the Bank of Taiwan of 28.7 on April 1. 2022
Note 1: Calculated based on the average exchange rate of the Bank of Taiwan of 30.52 on April 6. 2023

(9) Succession planning for members of the Board and key management personnel

1. Succession Planning for Board Members
   In accordance with the "Corporate Governance Best Practice Principles", the Company has implemented a board diversity policy. Currently, there are nine directors (including three independent directors) with diverse and complementary industry experience, as well as academic, finance, and finance & accounting expertise. Three of the directors are senior managers of the Company. The composition and background of the Board of Directors shall remain the same going forward, and the Board members shall be evaluated annually based on their performance. The tenth session of the board directors were elected on 22 July 2021 for a three-year term (from 22 July 2021 to 21 July 2024) and the first board meeting of the tenth session was held on the same day to elect Ms.Chuo Shou-yeu as Chairman of the Board. With regard to succession planning for the Chairman, the Company nurtures senior managers to join the Board and familiarise themselves with Board operations and increase their industrial experience by expanding involvement in operating units. In addition to their professional background and skills, potential leaders of the Company should also have expertise in business planning and operations. To enhance the professionalism of its board members, the Company shall keep up with emerging trends and organize at least six hours of refresher courses per year for each director, taking into account changes in the Company's internal and external environments and development needs, so as to assist directors in continuously updating their knowledge and maintaining their core values as well as professional strengths and capabilities.
2. Succession planning for key management personnel
   In addition to having excellent professional and management skills, the Company's key management staff must have values that are in line with those of the Company, as well as personality traits such as honesty, integrity, innovation and execution. In terms of training for key management personnel, this is reinforced through professional courses. Through management training and job experience, candidates are able to enhance their management skills and mindset, so that they are prepared to take over the responsiblities ahead of the schedule.

(10) Intellectual property management plan and implementation

1. Intellectual Property Strategy
   In order to strengthen its leading position in the industry and safeguard its hard-earned R&D technology achievements, the Company has set up an intellectual property management plan that is integrated with its operational strategies. The Company was TIPS-certified , and a comprehensive management system for patents, trademarks and trade secrets has been established to strengthen the use and management of intellectual property, implement corporate governance and compliance, and enhance the Company's competitive advantage in the industry.

2. Intellectual property(IP) management plan, risks and mitigation strategies
   The Company's competitiveness relies heavily on the propeitary technologies and know-how. In order to protect its intellectual property, the Company actively manages the flow of information in and out of the organization through a three-line framework of internal control. Company's IP department also cooperates with the R&D and information security team to further protect commercially valuable technologies not only through patent applications or trade secrets, but also through the establishment of R&D procedures and knowledge protection systems to strictly monitor the process of IP incubation and originallity of creation. At the same time preventing daily operations from infringing the intellectual property rights of others. Following the Company's development blueprint, the Company sets product and technology development goals and implements talent nurturing programme and IP layout plans to ensure the sustainability of the Company's R&D capacity and competitive advantage.

   The risk assessment and management of the Company's intellectual property are regularly reviewed and evaluated by the Risk Management Committee and the Intellectual Property Management Committee. In the face of an increasingly competitive and uncertain environment, the Company has allocated its human and material resources superior to the industry standard for intellectual property management. In addition to investment in information security equipment and management structure in recent years, the renewal of internal control systems and regulations, the completion of global strategic trademark registration and product image integration, and regular training of the team on intellectual property and legal knowledge have contributed to the growth and development of the Company's intellectual property management structure. Through a multi-faceted control and audit mechanism, the Company has achieved an R&D culture that is both protective and innovative.
   The Company conducts important reviews and assessments of the risk assessment and management of its intellectual property in its regularly held Risk Management Committee and Intellectual Property Management Committee meetings. In response to the increasingly competitive and uncertain environment, the Company has allocated resources in human and material terms that exceed industry standards for intellectual property management. This is complemented by investments in information security equipment and management structures in recent years, updates to internal control systems and regulations, completion of global strategic trademark registrations and product image integration, and regular training for the team on intellectual property and legal knowledge. As a result, the Company's intellectual property management framework has matured. Through a multi-faceted control and audit mechanism, the Company aims to foster an R&D culture that is both protective and innovative.

3. IP inventory/results: The following IP rights were held as of December 2023

Intellectual property rights	License Held	Pending Application
Patent	621	29 applications
Trademark	132	6 applications

4. Implementation status: The Company has reported intellectual property-related matters during the 5th Board Meeting on 10 November, 2023 and below is the implementation status:

Year	Implementation Status
2017	• Established a classification system for important company documents • Obtained the Taiwan Intellectual Property Management Standards (TIPS) certification and incorporated the TIPS system into the ISO system
2018	• Established the Ethical Corporate Management Best Practice Principles to ensure employee compliance with the Company's various confidentiality regulations
2020	• Established the Intellectual Property Management Committee, chaired by the President himself, to manage and supervise intellectual property-related issues and risks, and to plan the application and layout of intellectual properties • Comprehensively revised the ISO manuals and procedures on IP management in accordance with the guidelines on intellectual property management structure published by the Intellectual Property Bureau of the Ministry of Economic Affairs and added the "Policies on Management of Trade Secret " to strengthen employee awareness of intellectual property protection
2021	• Invited renowned experts to give lectures to board members and senior managers, conducting practical discussions on issues related to intellectual property rights and enhancing the Company's ability to create, protect and utilize intellectual property • The first "Risk Management Meeting" was held and led by the Chairman of the Board of Directors. The conference included topics such as intellectual property risk management and was organized to enhance intellectual property risk management capability • Continuous education and training on the protection of corporate trade secrets and intellectual property rights to raise and strengthen employee awareness and knowledge of intellectual property protection
2022	• The IP department organized 15 training sessions totaling 19.5 hours with 132 participants.

2023	• Completed the introduction of "Policies on open-source codes management" • Introduced the intellectual property management software for managing patents and trademarks • Completed the global stocktaking of effective trademarks and formulated trademark application guidelines • Organized 4 IP-training sessions, totaling 12.5 hours, with 134 participants

9.Please provide information on improvements made based on the corporate governance assessment results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures to enhance those that have not yet been improved: The results of the tenth annual (2023) corporate governance assessment of the Company, which ranked 21% to 35% among listed companies, are described below based on the following unscored items:

1. Report on the remuneration received by directors at ordinary general meetings: Due to the protection of personal information, the remuneration is not disclosed for the time being and degree of disclosure will be assessed in the future.
2. Performance evaluation of the Board of Directors: In order to implement corporate governance and enhance the functions of the Board of Directors of the Company, and to establish performance targets to strengthen the efficiency of the operation of the Board of Directors, the Company has formulated the "Performance Evaluation of the Board of Directors" in accordance with the letter No. 1070025395 dated December 27, 2018, which was approved by the Board of Directors on November 13, 2019. Before the end of the first quarter of the following year, the Board of Directors of the Company distributed the "Performance Evaluation Self-Assessment Questionnaire for the Board of Directors", "Performance Evaluation Self-Assessment Questionnaire for Board Members", "Performance Evaluation Self-Assessment Questionnaire for the Audit Committee" and "Performance Evaluation Self-Assessment Questionnaire for the Renumeration Committee" to conduct the performance evaluation of the Board of Directors for that year, and the performance evaluation results were submitted to the Board of Directors for review and improvement. In general, the results of the 2023 performance evaluation of the Board including individual Board members and functional committees all exceed the benchmark, with no major deficiencies. These were included in the Board meeting on February 27, 2024. The Company is also actively considering whether to engage an external party to evaluate the performance of Directors.
3. Disclose relevant information according to the TCFD framework: In 2023, the Company has completed TCFD risk and opportunity identification and analysis with the assistance of a third-party consultant. Please refer to Chapter 6 of this annual report and the explanation in the Company's 2023 ESG report for details.
4. Each gender has attained more than 1/3 of Board seats: Currently, the Company has one female director, but women has not attained more than 1/3 (inclusive) of the seats (i.e. 3 seats). In the future, the Company endeavors to enhance gender equality in the composition of the Board of Directors and increase the proportion of female directors..

Note: Criteria for assessing the independence and suitability of CPAs

No.	Evaluation Item	Evaluation Result	Independent
1	Does the accountant have a direct or significant indirect financial interest in the Company?	No	Yes
2	Is there any financing or guarantee between the accountant and the Company or its directors?	No	Yes
3	Does the accountant have a close business relationship with the Company?	No	Yes
4	Does the accountant have a potential employment relationship with the Company?	No	Yes
5	Is there any contingent public expense related to the investigation of the case?	No	Yes
6	Does the accountant currently serve or has served in the last two years as a director, manager or any position in the Company that has significant impact on the audit case?	No	Yes
7	Promote or broker stocks or other securities issued by the Company	No	Yes
8	Will non-audit services provided by the Company directly affect important aspects of the audit case?	No	Yes
9	Does the accountant act as the Company's defender or settle disputes with other third parties on behalf of the Company?	No	Yes
10	Does the accountant have a kinship relationship with the Company's directors, managers, or persons who have a significant influence on the audit case?	No	Yes
11	A co-certified public accountant who has resigned within one year and shall serve as a director, manager of the Company or a position that has a significant impact on the audit case.	No	Yes
12	Does the accountant accept gifts or gifts of great value from the Company or its directors or managers?	No	Yes
13	Does the accountant provide the services of directors, managers or equivalent positions for colleagues of the Company?	No	Yes

No.	Evaluation Item	Evaluation Result	Independent
14	Does the accountant provide the following non-audit services (with exceptions stipulated in the Professional Code of Ethics for Certified Public Accountants No. 10)? (1) Accounting services (2) Evaluation services (3) Tax services (4) Internal audit services (5) Short-term personnel dispatch service (6) Recruitment of senior management personnel (7) Company financial services	No	Yes
15	Does the accountant regularly participate in Company shareholder meetings and attend the audit committee and the board meetings when necessary?	Yes	Not applicable
16	Does the accountant provide relevant education and training for the Company?	Yes	Not applicable
17	The Company's financial statements have not been corrected by the competent authority	Yes	Not applicable

Assessment result: CPAs Mr. Tseng, Done-Yuin and Ms. Yen, Hsiao-Fang from Deloitte Taiwan passed the Company's independence and suitability assessment criteria and were qualified to serve as CPAs for the Company.

(4) Composition and Operation of the Remuneration Committee and Nomination Committee

A. Remuneration Committee

(a) Information on members of the Remuneration Committee

<table>
<tr><th>Title</th><th>Criteria / Name</th><th>Professional qualification and experience</th><th>Independence</th><th>Number of other public companies in which the individual is concurrently serving as a remuneration committee member</th></tr>
<tr><td>Independent Director (Convener)</td><td>Chang Chue-bin</td><td rowspan="3">Please refer to this Annual Report, 1. Corporate Governance Report, 2. Information on directors and senior managers, (1) Director information, 3. "Disclosure of Professional Qualifications of Directors and Independent Directors' Independence Information"</td><td rowspan="3">All members of the Remuneration Committee meet the following conditions:
1. Comply with Article 14-6 of the Securities and Exchange Act and "Regulations on the Establishment and Exercise of Powers and Functions of Remuneration Committees of Publicly Listed or Traded Companies" (Note) issued by the Financial Supervisory Commission
2. A person (or using the name of another person), whose spouse and minor children do not hold any shares of the Company
3. No remuneration received from the Company or its affiliates in the last two years for business, legal, financial or accounting services</td><td>2</td></tr>
<tr><td>Independent Director</td><td>Chen Chong-ren</td><td>0</td></tr>
<tr><td>Independent Director</td><td>Gu Chia-heng</td><td>0</td></tr>
<tr><td colspan="5">Note: Two years prior to and during the term of office, none of the following conditions exist:
(1) A person employed by the Company or its affiliated companies
(2) A director or supervisor of the Company or its affiliates
(3) 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 1% or more of the total number of issued shares of the Company or ranking in the top ten in holdings
(4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph (1) or any of the persons in the preceding two subparagraphs
(5) A director, supervisor or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, 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) If a majority of the Company’s director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor or employee of that other Company
(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor or employee of that other company or institution.
(8) A director, officer, supervisor, or shareholder holding 5% or more of the shares, of a specified company or institution that has financial or business relationship with the company.
(9) A professional individual who, or an owner, partners, directors, 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 members 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.</td></tr>
</table>

(2) Responsibilities of Remuneration Committee members

A. Establish and regularly review policies, systems, standards, and structures for the evaluation of the performance standards and remuneration of directors and managers

B. Regularly evaluate and determine the remuneration of directors and managers of the Company
C. Regularly review the organizational procedures of the Remuneration Committee and evaluate whether to propose any amendments

(3) Information on the operation of the Remuneration Committee
A. There are three members in the Company's Remuneration Committee.
B. The term of office of current members are from July 22, 2021 to July 21, 2024. There were two Remuneration Committee (A) meetings in 2023. The title of each committee members and attendance records are as follows:

Title	Name	Actual Attendance in Person (B)	By Proxy	Actual Attendance Rate (%)【B/A】	Remarks
Convener	Chang Chue-bin	2	0	100%	
Member	Gu Chia-heng	2	0	100%	
Member	Chen Chong-ren	2	0	100%	
Other supplementary notes: 1. If the Board of Directors fails to adopt or amends the recommendations of the Remuneration Committee, the date and period of the Boards' meeting, the content of the motion, the result of the Boards' resolution and the Company's handling of the Remuneration Committee's recommendations should be disclosed (If the remuneration approved by the Board is better than that recommended by the Remuneration Committee, the difference and reasons for such difference should be stated.): None. 2. If members of the Remuneration Committee have any objections or reservations to resolutions, and if such objections or reservations are recorded or stated in writing, the date and period of the Remuneration Committee meeting, the content of the resolutions, the opinions of all members and treatment of members' opinions shall be stated: None					

(4) The outcome of discussions and resolutions of the Remuneration Committee, and the Company's handling of members' opinions

Meeting Date（Session）	Content of proposal	Resolution result	Company's handling of Remuneration Committee members' opinions
2023.02.23 4th meeting of the 3rd Committee	2022 Employee Remuneration and Director Remuneration Distribution	Approved by the Committee	Approved by the Board with the consent of all Directors present
2023.11.09 5th meeting of the 3rd Committee	Reporting on the result of self-assessment of manager's salary	Approved by the Committee	Not applicable
2024.02.27 6th meeting of the 3rd Committee	2023 Employee Remuneration and Director Remuneration Distribution	Approved by the Committee	Approved by the Board with the consent of all Directors present

2. Nomination Committee
(1) The members of the Company's Nomination Committee are composed of at least three directors proposed by the Board of Directors, among which a majority should be independent directors. Their responsibilities are as follows:
A. Establish selection criteria for the composition and qualifications required for board members and senior executives, select and review candidates for directors and senior executives.
B. Plan and execute performance evaluations of the board, various functional

committees, directors, and senior executives.
C. Plan and execute director training programs.
D. Review the policies regarding the committee and corporate governance best practice principles.

(2) Professional qualifications and experience of Nomination Committee members and their operations are as follows:
A. The Company's Nomination Committee consists of 3 members.
B. The committee was established on November 10, 2023, and on the same day, independent director Chang Chue-bin was elected as the convener. The term of office for the committee is from November 10, 2023 to July 21, 2024.
C. The professional qualifications and experience of the committee members, attendance record, and discussion matters are as follows:

Title	Name	Professional qualifications and experience	Actual Attendance in Person	By Proxy	Actual Attendance Rate (%)	Remarks
Convener	Chang Chue-bin	Please refer to Section 2, "Information on Directors and Key Managers," subsection 1 "Director Information," of the Corporate Governance Report in the annual report, specifically to subsection 3 "Disclosure of Director's Professional Qualifications and Independence Information."	Note	Note	Note	
Member	Gu Jia-heng					
Member	Chen Chong-ren					

Note: Meetings are convened at least twice a year. Since the committee was established in November 2023, there are no meeting records for the year 2023.

(5) Fulfilment of Sustainable Development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Companies"

Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No.	Summary Description	
1. Has the Company exclusively (or concurrently) established dedicated first-line managers authorized by the board, to be in charge of proposing corporate social responsibility policies and reporting to the board?	V		In 2020, directed by the chairman, the Company established a CSR Committee under the leadership of President as the highest decision-making body for sustainable development governance, the Committee was in charge of planning and implementing sustainable development-related initiatives in accordance with the "Sustainable Development Best Practice Principles" approved by the Board. In 2023 the CSR Committee was renamed the Sustainability Development	None

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No.</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>Committee. The Chairman appointed the Executive Vice President of the Company to serve as the Chairperson of the committee, responsible for implementing the Company's sustainable development vision and policies formulated by the Board of Directors, and planning and implementing the Company's sustainable development strategies.

The committee is composed by Company's executives based on their expertise of the fields , responsible for implementing the Company's four major sustainability aspects. It convenes regular meetings at least once a year to identify sustainability issues of concern to stakeholders according to the GRI guidelines, formulates strategies and guidelines, and reports to the Board of Directors at least once a year. The Board of Directors supervised and provided guidance on the effectiveness of sustainability efforts in accordance with the "Sustainable Development Best Practice Principles". In addition to reviewing the progress of the strategy, and makes timely recommendations, it urges the committee adjusts when necessary.</td><td></td></tr>
<tr><td>2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?</td><td>V</td><td></td><td>The Company's Sustainable Development Committee regularly conducts risk analysis and assessment procedures on guidelines or development strategies proposed by regulatory agencies, governments, and international sustainability advocacy organizations, as well as other issues related to sustainability, to assess their impact on the Company's operations. It aims to identify challenges and opportunities for the Company based on risk factors listed from the perspectives of environmental, social, and corporate governance. By employing the concepts and techniques of risk management, the committee comprehensively devises a set of management strategies to facilitate the Company's sustainable operation.

The main categories of risks and corresponding measures of the Company are as follows:
<table>
<tr><th>Major issues</th><th>Assessment Content</th><th>Management Strategies</th></tr>
<tr><td>Environmental</td><td>Energy consumption and management</td><td>• Comply with government energy management regulations, support the implementation of sustainable energy products and services, set and implement energy management targets
• Reduce the consumption of raw materials in manufacturing processes, develop and extend the life cycle of production waste</td></tr>
<tr><td rowspan="2">Social</td><td>Friendly and diverse workplace</td><td>• Provide a variety of channels for workplace communication, promote positive communication between employers and employees
• Protect the rights and interests of employees in accordance with international standards and local laws of locations where the Company operates
• Continuously organize a variety of health care and promotion activities and encourage employee participation</td></tr>
<tr><td>Talent Development</td><td>• Establish a structured talent development system to encourage continuous learning.
• Review the implementation of the talent development system on a quarterly basis
• Develop training plans based on performance appraisals to ensure that the right people are fit for purpose</td></tr>
<tr><td>Corporate governance</td><td>Business Performance</td><td>• Make operational decisions based on the premise of sustainable growth of the business in compliance with legislation</td></tr>
</table></td><td>None</td></tr>
</table>

Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No.	Summary Description	
			(continued table) • Fairness, openness, and regular disclosure of operational performance For detailed risk analysis, please refer to the chapter on "Risk Assessment and Crisis Management" in the Company's ESG report.	
3. Environmental issues (1) Has the Company established proper environmental management systems based on the characteristics of its industries?	V		(1) As a member of the global community, the Company has been certified with ISO 14001 and ISO 45001 for its environmental management system since 2002, aiming at effectively preventing and controlling environmental pollution. Additionally, in 2022, the Company obtained ISO 50001 Energy Management System certification. The latest validation date for ISO 14001 and ISO 45001 was on January 5, 2024, and the certificates are valid until January 4, 2027. The ISO 50001 certification was issued on October 31, 2022, and is valid until October 30, 2025 In 2023, the Company also achieved ISO 14064-1 certification for its Greenhouse Gas Inventory Management System and ISO 14067 certification for the Carbon Footprint of drives and torque motors, demonstrating proactive adoption of management practices that surpass industry standards, thus advancing towards the path of net-zero sustainability.	None
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) In addition to technological innovation, our company prioritizes environmental protection, energy-saving, and function safety in product design, considering key human factors such as safety, user friendly, and environmental compatibility. Whether itsmetal , plastics, or electronic components, our products are 100% compliant with RoHS and REACH regulations and certifications. Furthermore, we are dedicated to implementing energy-saving and environmentally friendly practices in product research and development. By focusing on energy efficiency, carbon reduction, and recyclability, we aim to gradually reduce the environmental impact of our products and contribute to the preservation of the planet.	None
(3) Does the Company evaluate potential climate change risks and opportunities in connection with the present and future of its business, and take appropriate action to counter climate change issues?	V		(3) The Company utilizes the framework outlined in the TCFD proposal published by the Financial Stability Board (FSB) to identify climate-related risks and opportunities. Based on the identification results, we establish measurement indicators and implement targeted measures for risk management. For detailed information, please refer to Chapter 6 "Execution Status of Climate-related Information" of this report and the Company's 2023 ESG Report.	None
(4) Has the Company taken inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implemented policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water conservation, or waste management?	V		(4) 1. Greenhouse gas emissions. Please refer to Chapter 6 "Execution Status of Climate-related Information," Table 1-1 "Company Greenhouse Gas Emission and Certification Status for the Last Two Years" for the greenhouse gas emissions of the Company in the past two years. Management Goal: Building upon the emissions in 2022 as a reference point, the aim is to decrease the greenhouse gas emission (Scopes 1 + 2) by 6% annually. By 2031, the target is to achieve a 54% reduction in	None

Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No.	Summary Description	
			greenhouse gas emissions compared to the baseline year. Measures to achieve the target: Implementing a systematic energy and resource management mechanism, replacing outdated equipment with energy-efficient alternatives, optimizing energy-saving processes, and rationalizing production line configurations. For detailed information on the carbon reduction initiatives and their implementation status in 2023, please consult the Company's ESG report for the same year. 2. Water Management Management Goal: Maintain water usage intensity reduced by 1% below the intensity of 2022, equivalent to 0.01030 (million liters/million of revenue). • Measures to achieve the target: track water use and wastewater flow data on a daily basis, and enhance the wastewater discharge classification system to reduce the volume of industrial waste water and to recycle water for reuse. Achievement: In 2023, the Company's water intake increased by 3.0% compared to the previous year, while water intensity increased by 51.9% compared to the previous year. The increase in water intake was attributed to reduced rainfall and the reimplementation of restrictions on disposable utensils following the lifting of pandemic-related lockdowns. This resulted in inadequate rainwater collection to meet the basic operational water needs of the factory, leading to increased usage of tap water and higher water intensity. For further details, please refer to Chapter 4 of the Company's ESG Report for the same year. • Water comsumption statistics for the past two years:	

Water Usage	2022	2023
Total water consumption (million litres/year)	28.839	29.699
Recycled water (million litres/year)	9.3308	12.062
Drainage reuse rate (%)	32.35%	40.61%
Water intensity (million litres / million of revenue)	0.0104	0.0158

Note 1: The statistical scope includes the headquarter and all plants in Taiwan.
Note 2: The calculation method for water intensity is as follows: Annual water consumption (in million liters) divided by the parent company's individual

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No.</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>annual revenue (in million dollars). The figures disclosed in the 2022 annual report were originally presented with per thousand working hours as the denominator. However, in alignment with regulatory authorities and international reporting trends, it has been adjusted to per million revenu.
Note3: The estimation method for the company's water recovery and reuse volume is calculated as follows: water consumption minus cooling tower drift losses minus drainage amount. Cooling tower drift losses include both evaporation loss and splash loss, which are calculated based on the evaporation rate and splash rate specified in the cooling tower specifications.

3. Waste Management
• Management target: Increase the recycling rate of waste to 90% by 2027.
• Measures to achieve the target: Implement source reduction and increase the reuse rate to maximize resource utilization.
• Achievement: 84% waste reuse rate in 2023, a 2% decrease in waste reuse rate from 2022. Please refer to the Company’s ESG report this year for further information.
• Waste generation statistics for the past two years:
<table>
<tr><th>Types of waste</th><th>2022</th><th>2023</th></tr>
<tr><td>Hazardous waste (Unit: Tonnes)</td><td>0.88</td><td>0.89</td></tr>
<tr><td>Non-hazardous waste (Unit: Tonnes)</td><td>286.06</td><td>208.17</td></tr>
<tr><td>Total Reuse (Unit: Tonnes)</td><td>246.21</td><td>174.89</td></tr>
<tr><td>Proportion of waste reused (%)</td><td>85.81%</td><td>83.66%</td></tr>
</table>
Note : The scope includes the headquarter and the second plant in Taiwan.</td><td></td></tr>
<tr><td>4. Social issues
(1) Has the Company established appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>(1)The Company adheres to labor laws and regulations to safeguard the legal rights and interests of employees by establishing relevant management methods. We adhere to internationally recognized human rights standards such as the Universal Declaration of Human Rights and the Responsible Business Alliance Code of Conduct, and formulate policies to protect human rights as follows:
1. Gender equality and maternal health: No pay gap, benefits or promotion opportunities are determined on the basis of gender. In addition, the Company</td><td>None</td></tr>
</table>

Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No.	Summary Description	
			respects gender equality and has established "Measures to Prevent and Discipline Sexual Harassment". It adheres to the Labor Standards Act and Gender Equality Law which safeguard women workers' rights to equal work, maternity and parental leave, menstrual leave, use of lactation rooms and female-friendly parking spaces, etc. The Company has also adjusted working hours and stations for the benefit of pregnant employees and established the "Baby Care Subsidy for Employees", reducing the financial burden of childcare. 2. Prohibition of child labor: The Company does not employ child laborers under the age of 16 and has established work rules for employees under the age of 18 in accordance with the Labor Standards Act. 3. Principle of equality: Hiring, evaluation and promotion are based on objective work requirements and individual performance. The Company does not discriminate on the basis of race, class, language, ideology, religion, party affiliation, origin, place of birth, gender, sexual orientation, age, marital status, physical appearance, physical and mental disabilities, constellation, blood type, or union membership. 4. Protection of foreign employees' work rights. Ensure their pays are in compliance with law and leave entitlements are lawfully implemented. 5. Reasonable working hours: The Company has set working hours and pay rates in accordance with the Labor Standards Act, and established the "Special Leave Management Regulations" to implement a leave system and encourage employees to focus on work-life balance. 6. Human rights training: Human rights training is integrated into the orientation and the core career development trainings, so that all employees are aware of human rights and can uphold them in their daily lives. In 2023, a total of 51 hours of human rights training was provided, with a total of 157 staff (219 attemdance) have completed the training, accounting for 28.5% of the total number of employees. In the future, the Company will continue to focus on human rights protection issues and promote relevant training to raise awareness of human rights protection. 7. A complaint channel is established (including a telephone hotline, email, and physical mailbox), and is handled personally by dedicated company personnel. The Company has received no complaints in 2023. 8. The Company regularly discloses its relevant policies, practices, and specific initiatives, as well as the results of implementing corporate sustainability initiatives (ESG), on its website, annual reports, or ESG reports.	
(2) Does the Company have reasonable employee benefit measures (including salary and wages, leave, and other benefits), and does employee salary reflect business performance or results?	V		(2) To establish and implement a reasonable employee welfare policy 1. Employee welfare policy The Company offers remuneration that surpass industry standards and follows the principle of equal pay for equal work. Salary adjustments and bonuses are based on colleagues' performance evaluations. Various benefits are provided, including group	None

Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No.	Summary Description	
			insurance, funeral subsidies, health checkups exceeding regulatory standards, relocation subsidies, marriage and childcare subsidies. The company also offers onsite medical services for professional consultation. The leave policy complies with labor laws, allowing employees to apply for unpaid leave for extended periods due to personal or family needs, such as childcare, major injuries, or significant events. The Company provides a "childcare subsidy" benefit, offering a monthly subsidy of NT$5,000 per newborn until the child turns 3, totaling NT$180,000 per newborn. In 2023, the total childcare subsidy amounted to NT$3,115,000. 2. Diversity and equality in the workplace Equal pay for equal work and equal promotion opportunities for women and men, and reserving a minimum of 15% of female executive positions to promote sustainable and inclusive growth The average percentage of female staff is 29.2% and the average percentage of female executives is 16.1% in 2023. 3. Staff compensation reflects operating performance The Company sets pay standards based on the job contribution of each position and operates under a fair and systematic payroll policy. In order to encourage employees to work together in producing business results, employee remuneration may be adjusted based on the company's financial status, operating performance, job responsibilities, employee's ability and performance to incentivise competitive edge . Employee salary may reflect the company's operating results for the year, along with each individual's performance reviews . According to its 'Articles of Association,' if the Company makes a profit in the current year, no less than 1% shall be appropriated for employee remuneration. For distribution details, please refer to Sec. 4. Fundraising Situation (8), Employee and Director Remuneration. With the profit-sharing scheme, the Remuneration Committee regularly reviews the remuneration policies to ensure competitiveness of salary structure and benefits, to attract and retain talents. The Company is also active in conducting education and training to provide employees with necessary skills and new knowledge that can be applied in their works. Incentives are also given to encourage employees who takes initiatives to study hard. All full-time employees undergo performance appraisals every quarter and at the end of the year, so that their work process can be monitored by supervisors.Those who demonstrates commitments to continuously improve and grow will be rewarded. The Company has also formulated performance management policies to promptly reward achievements and prohibit incompliance, so that the code of conduct is fellowed. The Company conducts regular industry salary surveys and adjusts salaries based on the market standards, company operations, and individual performance to maintain	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company has obtained ISO45001 and TOSHMS (Taiwan Occupational Safety and Health Management System) certifications, and regularly engages the third party consultants to conduct external audits. The latest certification date of both ISO45001 and TOSHMS is	None

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No.</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>January 5, 2024, valid until January 4, 2027.

<u>O Occupational Safety and Health Policy</u>
Through the PDCA (Plan, Do, Check and Action) model, and the efforts of the Occupational Safety and Health Committee, the prevention of occupational hazards is priority of the Company to ensure the safety and health of all employees.
The Company has formulated a comprehensive accident reporting and investigation procedure to record, track, and analyze the root causes of accidents and proposed corrective and preventive measures. Through walk-through, 6S self- improvement, and employee susggestion program, etc., all employees are empowered to actively identify potential safety and health risks. In 2023, there were no fire-related incidents; however, there were 3 cases of minor injuriesFollow-up improvement countermeasures have subsequently been implemented. .

<u>Workplace environmental monitoring</u>
To protect workers from exposure to hazardous substances in the workplace and to provide a healthy and safe working environment, workplace environmental monitoring is conducted every six months to check exposure of employees through test data. The results are published on the bulletin board to inform all colleagues

<u>Occupational Safety Audit</u>
The Company has set an annual occupational safety and health protection plan, with a environmental, safety and health management representative as the general convener. Various inspection reports are used by the EHS department to log the inspection suggestions and progress of improvements . The department supervisors are to review the preventive measures. Quarterly Occupational Safety and Health Committee meetings are held to review any deficiencies.
<table><tr><th colspan="2">EHS Department Audit Operations</th></tr><tr><td>Senior Supervisors' Occupational Safety and Health Audit</td><td>Annual unscheduled checks</td></tr><tr><td>Workplace Safety and Health Audit</td><td>Unscheduled weekly checks</td></tr><tr><td>6S Check</td><td>Regular monthly inspections</td></tr><tr><td>Off-site Construction Sites Work Safety Inspections</td><td>As required by the site contractor</td></tr></table>
<u>Equipment Safety Management</u>
All hazardous machines and equipment of the Company are regularly checked in accordance with relevant EHS regulations. The EHS department conducts environmental & safety evaluation on modification projects. It follows the risk analysis of the equipment and the checklist of safety protection measures to ensure that the machines and equipment are safe for use.

<u>Occupational safety and health training and workshops held:.</u></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No.</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><th>Year</th><th>Total No. of Education and Training Participants</th><th>Total Education and Training hours/participants</th></tr>
<tr><td>2021</td><td>313</td><td>1,611</td></tr>
<tr><td>2022</td><td>365</td><td>1,097</td></tr>
<tr><td>2023</td><td>553</td><td>2,041</td></tr>
</table></td><td></td></tr>
<tr><td>(4) Does the Company provide career development and training for its employees?</td><td>V</td><td></td><td>((4) In order to provide an effective talent development infrastruture, the Company has designed a comprehensive training programs for all employees, including courses for orientation training, professional skills developments, supervisor nurturing , etc. A variety of courses are offered to help employees learn and grow. There were 3,513 participation who underwent a total of 16,610.5 hours of training in 2023. The company has established a learning blueprint that outlines specific skills required for each role. Competency development programs are formulated based on competency gaps of an individual, utilizing diverse training methods with learning incentive mechanism. In 2023, a total of 392 individuals completed the training, achieving a completion rate of 71%. Among them, 15 individuals were promoted to managerial positions, resulting in an internal promotion rate of 75% for managerial roles.</td><td>None</td></tr>
<tr><td>(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, as well as marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</td><td>V</td><td></td><td>(5) In order to ensure the effectiveness of the quality assurance system, Quality committee was set up to ensure the Company’s good product quality standards. RoHS certified materials and production consumables are used for the Company’s Parts products in accordance with EU standards, and timely communication with customers is maintained to address their needs. In addition, there is a stakeholder area on the Company website to accommodate complaints or suggestions as a way of protecting consumer rights</td><td>None</td></tr>
<tr><td>(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</td><td>V</td><td></td><td>(6) As a long-term and important partner of HIWIN MIKROSYSTEM, the Company’s suppliers provide goods and services with good quality and timely delivery, as well as comply with energy-saving management, occupational safety and health, protection of labor rights, proper environmental protection, prohibition of use of conflict minerals , restrictions on hazardous substances, etc. The suppliers also pledged the "Supplier Corporate Social Responsibility Commitment" in accordance with international labor rights-related standards and the Taiwan Labor Standards Law which prohibits forced and abusive labor, child labor and hazardous work for minors.

<u>New Supplier Assessment</u>
New suppliers undergo assessments including written, on-site and product sample evaluations. Candidate suppliers are required to sign the "Integrity and Integrity Trading Pledge", "Confidentiality Agreement", "Restricted Substances Policy Commitment" and "Supplier Corporate Social Responsibility Commitment" and they are assessed based on the criteria (60 points or above) to qualify as suppliers.</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No.</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td><u>Supplier Appraisal</u>
Suppliers are evaluated on a quarterly/annual basis. Aspects of the evaluation includes product quality, delivery, cost and service, environmental management, occupational safety and health, labor rights, financial evaluation and handling of confidential information. If a supplier's evaluation score does not meet the standard (below 60 points), the supplier is required to make improvements by a deadline with relevant supporting information or to arrange on-site audits.

<u>Supplier audits</u>
Annual audits are conducted for major raw material suppliers according to the audit plan. Audit items include quality system, environmental safety and health system, social responsibility management system (labor rights), etc. In 2023, 16 suppliers were auditedwith 39 recommendations made for improvement. Non-conformances identified during the audits were mainly in the areas of production control, fire safety and 6S management of production lines. Suppliers were then requested to make improvements by a deadline. At the time of writing of this report all recommendations have been implemented, and no suppliers were disqualified as result.

<u>Supplier Counseling and Training</u>
The Company provides guidance to suppliers on the use of its B2B e-commerce platform to enhance E-solutions and reduce consumption of transaction processing time and natural resources, by facilitating online transaction confirmation and billing.
In 2023, 1 contractor discussion meetingwas organized with a total of 23 participants</td><td></td></tr>
<tr><td>5. Does the Company reference internationally-accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as corporate social responsibility reports? Did the reports above undergo assurance review conducted by a third-party verification unit?</td><td>V</td><td></td><td>Since 2020, the Company has voluntarily compiled and released sustainability reports, all of which have been certified by a third-party. The 2023 sustainability report was certified by TÜV Rheinland Taiwan. on March 22, 2024, complying with the GRI guidelines and the AA1000 AS V3 Assurance Standard. The ESG sustainability report is scheduled to be uploaded to the Market Observation Post System and publicly available on the Company's website in August 2024.</td><td>None</td></tr>
<tr><td colspan="4">6. Describe the difference, if any, between actual practice and Sustainable Development Principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies: The Company has established the Company's "Sustainable Development Best Practice Principles" in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies". There is no significant difference between the actual operation of the Best Practice Principles.</td><td>None</td></tr>
<tr><td colspan="5">7. Other useful information for explaining the status of corporate social responsibility practices:
1. In January 2023, HIWIN donated hand-crank generators and energy management display boards to support Asia University's sustainable development education.
2. In November 2023, the Company donated 1,000 Covid-19 test kits to Wenshan Elementary School, Nantun District, Taichung City.
3. From 2018 to 2023, the HIWIN MIKROSYSTEM Volunteer Group has accumulated 86 volunteer service events, with 427</td></tr>
</table>

Item	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No.	Summary Description	

volunteers participating, and a total volunteer service time of 2,064.5 hours. It aims to give back to the community constantly and promote social inclusion.

4. In 2023, the Company provided assistance to over 537 disadvantaged families and elderly individuals living alone
5. In 2023, the Company donated supplies to social welfare organizations 59 times, providing disadvantaged children with nutritional supplements and warmth throughout the year. During the period of 2018 to 2023, the Company cooperated with two social welfare organizations to donate 3,848 boxes of mooncakes, allowing disadvantaged families to celebrate the holiday and enjoy the festive atmosphere
6. From 2014 to 2023, HIWIN MIKROSYSTEM invested NT$67.92 million in research and development for mid-to-long-term future technologies. It conducted collaborative research projects with major universities and research institutions, with a total investment of NT$412 million in domestic and international research organizations from 2014 to 2023. Results of these researches , have been successfully commercialized into products.
7. HIWIN MIKROSYSTEM collaborates with the Taichung Family Education Center organizing the annual family education activity, encouraging not only employees' family members but also community residents to participate.
8. The Company obtained ISO 14001 environmental management system certification, ISO45001 occupational safety and health management system certification, ISO50001 Energy Management certification, and ISO 14064-1 Greenhouse gases certification in 2023.
9. Power-saving projects were undertaken in 2023, including replacing cooling tower fans with energy-efficient ones, upgrading factory lighting to LED lights, installing energy-saving water lubrication variable frequency oil-free air compressors, and reducing the load on chilled water pumps. These measures collectively saved a total of 617,000 kWh of annual electricity consumption.
10. The total capacity of the Company's solar power generation system is 138.25KW. By 2023, the total power generation since the installation reached 766,000 kWh, which is a reduction of 387.36 tons of CO_2e.
11. In 2023, 16 suppliers were inspected and audited for environmental safety and health, and 39 improvement recommendations were made. Through auditing and control, negative social impacts would be avoided or reduced.

(6) Climate-related Information Implementation Status

<table>
<tr><th>Items</th><th>Implementation Status</th></tr>
<tr><td>1. Describe the supervision and governance of climate-related risks and opportunities by the Board and the management..</td><td>・The Board of Directors serves as the highest authority for governance, decision-making, and supervision within HIWIN MIKROSYSTEM.
・The established Sustainability Development Committee is composed of senior executives from various departments, with the Executive Vice President serving as the Chairman. It sets short, medium, and long-term climate change management goals, regularly reviews and tracks the implementation status of various management strategies, and reports to the Board of Directors.
・Within the Sustainability Development Committee, members related to climate change management form specialized task forces to conduct in-depth exploration and initiatives concerning identified significant risk or opportunity factors, ensuring adherence to the opportunities presented by the TCFD guidelines.
・The Internal Auditor examines the effectiveness and efficiency of internal controls and risk management related to the Company's climate impact, reporting the results to the Board of Directors and the Audit Committee, thus forming the third line of defense within the corporate governance framework.</td></tr>
<tr><td>2. Describe how identified climate risks and opportunities affect the Company's business, strategy, and finances (short-term, medium-term, long-term).</td><td>・Explore all types of risks and opportunities, issues, types of impacts, and their financial implications outlined in the TCFD guidelines, distinguishing the significance and relevance of each issue based on likelihood and impact.
・Define short-term, medium-term, and long-term as within 3 years, 3 to 5 years, and beyond 5 years, respectively, assessing the potential timing of each issue.
・Develop optimal risk management approaches for each issue, and after evaluating the cost-effectiveness of risk management, identify 6 significant risks and 4 opportunities relevant to the Company.
<table>
<tr><th>short-term</th><th>medium-term</th><th>long-term</th></tr>
<tr><td>・Physical Risk: Increased frequency or severity of extreme weather events
・Opportunity: Entry into new markets or new customers, development of low-carbon products and services, use of more efficient production, adoption of new technologies</td><td>・Transition Risk: Increase in renewable energy regulations and demand, increase in procurement costs for raw materials, transition to low-carbon energy</td><td>・Transition Risk: Implementation of carbon pricing mechanisms, regulations and licensing requirements for existing products and services</td></tr>
</table></td></tr>
<tr><td>3. Describe the financial impact of extreme weather events and transition actions.</td><td>・Financial Impact of Transition Risks from Climate Events:</td></tr>
</table>

	The Company may face significant transition risks due to the laws and regulations an increase in demand for renewable energy, and rising procurement costs of raw materials. Upon investigation, some of the Company's top ten clients have already joined the Science Based Targets initiative (SBTi), committing to carbon reduction in their supply chains. They may require the Company to enhance energy efficiency and even switch to renewable energy sources to meet sustainable supply chain targets. Failure to meet these renewable energy usage targets could lead to low ESG performance ratings, affecting orders and revenue. Additionally, as the Company procures a significant portion of steel materials, which belong to high-carbon industries, it may be subject to carbon pricing under international policies or Taiwan's climate regulations (such as the EU's Carbon Border Adjustment Mechanism or Taiwan's climate law carbon fee). Market analysis suggests that steel suppliers may incur substantial decarbonization costs, which could be passed on to downstream industries, leading to increased material costs and impacting operational performance. ・ Financial Impact of Physical Risks from Climate Events: Some of the materials acquired by the Company are transported from overseas . Intensifying extreme weather events could affect transportation, resulting in delays in material delivery and potential supply chain disruptions, leading to operational losses. ・ Financial Impact of Opportunities from Climate Events: In the climate-affected environment, many industries are encouraged by governments, societies, or customers to actively promote carbon reduction efforts. Therefore, the Company has analyzed and seized opportunities in the green economy, promoting various climate-related transition actions to ride the wave of low-carbon transformation, creating more profit opportunities. These opportunities include the development of low-carbon products, more efficient production modes, and entry into low-carbon economic markets.
4. Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system..	・ Through the operational framework of the Company's Risk Management Committee, integrate the annual collection and review of relevant risks and opportunity factors by the TCFD task force. Evaluate the appropriateness of existing management strategies through the aforementioned approach. Develop response strategies and report them to the Sustainability Development Committee for approval, followed by regular reporting to the Board of Directors by the Sustainability Development Committee. The Risk Management Committee monitors and oversees the effectiveness of climate risk management.
5. If resilience to climate change risks is assessed using scenario analysis, the context, parameters, assumptions, analysis factors, and key financial impacts should be explained	・ Based on the Intergovernmental Panel on Climate Change (IPCC) Special Report on Climate Change (AR6), the Company conducts climate scenario assessments by setting warming scenarios. The Company adopts the Shared Socioeconomic Pathways (SSP) scenarios, representing different greenhouse gas states under various socioeconomic conditions. To investigate the impacts under general decarbonization and business-as-usual

	(BAU) scenarios, SSP 1-2.6 and SSP 5-8.5 scenarios are used to assess the economic losses due to flooding at the Taichung headquarter and Yunlin plant. ・ Through scenario analysis, it is revealed that if climate warming continues and decarbonization efforts are insufficient, the Yunlin plant may face a higher risk of flooding resulting in operational losses, necessitating the enhancement of continuous operation days.
6. If there is a transformation plan in place to address and manage climate-related risks, please outline the plan's contents, along with the indicators and objectives utilized for identifying and managing physical and transitional risks.	・ The Company's risk transformation plan is developed based on potential significant risks that may be encountered in the future, divided into three dimensions: development of low-carbon products and establishment of new markets, energy efficiency and more efficient production, and sustainable supply chain management. 1.Development of low-carbon products and establishment of new markets. Through green design, incorporation of low-carbon/recycled materials, and increasing product efficiency, assist customers in need of transformation to achieve carbon reduction goals. 2.Energy efficiency and more efficient production, introducing various energy-saving and process management technologies such as the Internet of Things (IoT) to enhance production efficiency. 3.Sustainable supply chain management: Assist in reducing carbon emissions in the supply chain. For the potential of supply chain disruptions caused by climate change, assess diversifying suppliers and formulate strategic reserve strategies. ・Through project implementation, it is expected not only to maintain high profitability levels under the impact of climate change but also to help reduce the carbon footprint generated by the Company..
7. If internal carbon pricing is utilized as a planning tool, the rationale behind price setting should be elucidated.	The issue of internal carbon pricing in the Company is currently in the planning stage, and it is expected to be evaluated based on the regulations of Taiwan's Climate Change Response Act.
8. If climate-related targets are set, information on the activities covered, scope of greenhouse gas emissions, planning timeframe, annual progress achieved, etc. should be explained. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, details on the source and quantity of carbon offsets exchanged or the number of RECs should be explained.	・ Since 2022, the Company has been certitied with the ISO 50001 Energy Management System and ISO 14064-1 Greenhouse Gas emission , which all have been third-party certified. ・ The Company also discloses its greenhouse gas emission results annually, formulates short, medium, and long-term carbon reduction goals and strategies, and regularly reviews performance and achievement. ・ Simultaneously, annual water resource and resource recycling management goals are set to facilitate performance management. ・ Progress on these indicators, please refer to Chapter 4 of the Company's 2023 ESG Report.
9. Greenhouse Gas Inventory and Assurance Status, Reduction Goals, Strategies, and Specific Action Plans. Also filled in Tables 1-1 and 1-2.	・ In 2022, the Company completed the greenhouse gas inventory for the first time and obtained third-party verification. Please refer to the following table for detailed information ・ Please also refer to Chapter 4 of the Company's 2023 ESG Report for a detailed explanation of the Company's carbon reduction goals, strategies, and specific action plans.

1-1 Greenhouse Gas Inventory and Assurance Status of the Company for the past two years

1-1-1 Information on Greenhouse Gas Inventory

Illustrate the greenhouse gas emissions for the past two years, including the emissions volume (in metric tons of CO2e), intensity (in metric tons of CO2e per million dollars), and the scope of data coverage

(Individual)	2022	2023
Direct emissions (tCO2e)	487.6161	490.0332
Energy indirect emissions (tCO2e)	4,862.9923	3,970.4868
Scope 1 + Scope 2	5350.6084	4,460.5200
Intensity (tCO2e per million dollars)	1.9331	2.3800

Note1: The greenhouse gas emission results for the 2022/2023 fiscal year of our subsidiary did not reach the 5% materiality threshold for disclosure under ISO 14064-1, . With the consent of the certifier, these results will not be included in the scope of this year's greenhouse gas verification audit and are therefore not disclosed at this time.

Note2:For detailed carbon emissions data for each scope, please refer to the Company's 2023 ESG Report.

1-1-2 Information on Greenhouse Gas Emission Assurance

Explain the assurance status for past two years up to the date of the annual report printing, including the assurance scope, assurance provider, assurance standards, and assurance opinion.

The details of the assurance status are explained in following Table 1-1-1.

	2022	2023
Assurance scope	Global Warming Potential (GWP): IPCC 2021, AR6	Global Warming Potential (GWP): IPCC 2021, AR6
Assurance provider	TÜV Rheinland Taiwan Ltd.	TÜV Rheinland Taiwan Ltd.
Assurance standards	ISO 14064-1: 2018	ISO 14064-1: 2018
Assurance opinion	Reasonable assurance	Reasonable assurance

1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Explain the greenhouse gas reduction baseline year and data, reduction targets, strategies, specific action plans, and achievement of reduction targets..

As of the end of 2023, the Company's actual paid-in capital was NT$1,198,018,480, placing it among companies with a capital of less than NT$5 billion. According to the "Regulations Governing Information to be Published in Annual Reports of Public Companies," the baseline year for greenhouse gas reduction should be set as 2026, with individual companies required to conduct an inventory in 2026.

Embracing the ethos of sustainable operation and consistent adherence to excellent corporate governance standards, the Company proactively designated 2022 as the baseline year for greenhouse gas reduction, initiating efforts in carbon reduction and environmental protection. The Company's greenhouse gas inventory data for 2022 has been reasonably assured by TÜV Rheinland Taiwan Ltd. Please refer to Table 1-1-1 of this annual report.

Reduction Targets

The Company aims to reduce emissions of Scope 1 and Scope 2 gases by 6% compared to the baseline year of 2022 in the first year and by 24% by 2026 as its targets. Multiple channels and strategies such as energy conservation, waste reduction, and energy consumption reduction are utilized to achieve carbon reduction tasks.

In 2023, through measures such as rationalizing space usage, upgrading energy-saving equipment, and adjusting the loading of air conditioning systems, the Company's carbon emissions for Scope 1 and Scope 2 decreased from 5,350.61 tons in the baseline year of 2022 to 4,460.52 tons in 2023, a reduction of 17%, exceeding the target by 11%. Despite a decrease in total revenue during this period, the basic energy consumption for daily operation of the plant could not be completely avoided, resulting in a greenhouse gas emission intensity of 2.38 tons CO2e per million revenues, an increase of 23% compared to 2022.

For detailed strategies, specific action plans, and achievement of targets, please refer to Chapter 4 of the Company's 2023 ESG Report.

(7) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary Description	
1.Establishment of ethical corporate management policies and programs				
(1) Has the Company established a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the said ethical corporate management policy and practices; did the Company's Board of Directors and management make an active commitment towards enforcement of such policy?	V		(1) The Company has established the "Ethical Corporate Management Best Practice Principles", which allow the Company's Board of Directors and management to actively implement the Company's policy of conducting business with integrity. In addition to explaining in detail the policies and commitments related to integrity management on its official website, the Company also reinforces employee awareness of its integrity management philosophy by upholding and advocating the Company's management principles of "professionalism, enthusiasm and work ethics".	None
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure that the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies?	V		(2) The Company's internal audit unit regularly performs fraud risk assessments within the Company's business scope, in line with applicable laws, regulations and various codes of conduct, as well as globally accepted internal control framework and principles. In addition to conducting audits of operating activities as per the annual audit plan approved by the Board of Directors, the audit findings and subsequent improvement plans are routinely reported to the Board , which helps mitigate the risk of business fraud. The Company has also established "Procedures for Ethical Management and Guidelines for Conduct" in accordance with the "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Best Practice Principles for Listed Companies" for its workplace. The Company has also developed and published internal control-related documents for its workplace in line with the "Ethical Corporate Management Best Practice Principles for Listed Companies", Article 7, paragraph 2, or other high fraud risk business activities. In addition, through training courses and brief promotional articles, the Company regularly imparts its core values and compliance system to its employees, fostering a culture of integrity and high ethical standards in the workplace. Furthermore, it persistently mandates employees to understand the laws and international regulations pertinent to the business to ensure adherence and offers several confidential reporting channels for stakeholders in event of fraudulent behavior.	None
(3) Does the Company clearly provide the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?	V		(3) The Company's "Code of Ethical Conduct," "Code of Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" not only formulate various operational procedures, but also dictate that if any employee breaches these guidelines, the Company shall enforce appropriate action depending on the severity of the case. To foster a culture of integrity and conduct among its employees, the Company shall notify the Chairman of the Board of Directors of any substantiated employee violations of the law or the "Code of Integrity and Ethical Conduct", in addition to implementing the aforementioned multiple promotional measures. Periodically, the Company's internal auditor evaluates compliance with the preceding system and incorporates occurrence of dishonest conduct as part of their audit focus to enforce the Code.	None
2.Fulfill operations integrity policy				

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary Description	
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) In addition to integrating terms and conditions related to integrity in the contracts with its business partners, the Company mandates suppliers and outsourced service providers to sign a separate "Letter of commitment to integrity and honest transactions". This ensures that they comprehend the importance of integrity and consent to adhere to the Company's code of ethical conduct. The Company has formulated an assessment mechanism for its business partners such as customers, suppliers, and service providers. It shall emphasize integrity in all its transactions, reaffirm its commitment to integrity and ethical practices and pursue improvements or terminate any business relationship found to be fraudulent, if necessary.	None
(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(2) To further strengthen the integrity management of the Company, the "Ethical Corporate Management Best Practice Principles" approved by the Board stipulates the HR Department as the designated team responsible for formulating and monitoring the implementation of integrity management policies, who reports to the Board at least once a year. Execution progress of the policies for 2023 was reported to the Board on 27 February 2024. Results are as follows: 1. Organizing training courses on regulations, internal control, information security or on operation management were conducted to remind supervisors, employees and new staff the importance of honesty and integrity. The total number of training hours was 77 with 267 participants attended. 2. Promote the Company's management philosophy (professionalism, commitment and ethics) and establish the values of ethics and morality 3. Setup multiple communication channels and infrastructure where employees can report any suspicious or illegal activity to senior management or to the human resources department 4. Publish "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", internal control framework and other fraud prevention measures on the Company's website to mitigate risks.	None
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement them?	V		(3) The aforementioned policies and other governance-related rules clearly prevent conflicts of interest at all levels . Conflicts of interest can be reported to the direct supervisor, the internal auditor, or directly to the Chairman via the Company's confidential mailbox. Furthermore, a dedicated phone number and mailbox address are available in the Stakeholders' Area of the Company's website for external parties to file complaints.	None

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary Description	
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to inspect the systems accordingly to prevent unethical conduct, or hire external accountants to perform the audits?	V		(4) To foster a corporate culture of integrity and healthy growth, the Company has consistently emphasized the importance of ensuring the effectiveness and integrity of the financial reporting procedures and their controls. The Company has designed a robust accounting policies and an internal control system for procedures with potentially higher risk of employee fraud. The Company's internal audit unit prepares an annual audit plan based on the risk assessment results and conducts relevant audits in accordance with the plan. Further integrity or fraud-related follow-ups are conducted on an ongoing basis to detect and prevent dishonest conduct in the event of procedural irregularities.	None
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		(5) At least once a year, the Company organizes training on relevant laws and regulations for directors, managers and employees. The Company promotes integrity through monthly meetings, orientation, inter-departmental meetings and various training activities. There were 77 hours of training courses on corporate integrity, fraud and information security risks organized in 2023, with a total of 267 participants.	None
3.Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The Company has "Code of Ethical Conduct" that sets out the procedures for whistleblowing, and a "Code of Work Conduct" that outlines criteria for rewards and sanctions. A confidential email address is available for filing relevant information directly with the Chairman, the internal auditor or the HR Department. External parties may also use the contact information in the Stakeholder Area of the Company's website to report concerns . Designated personnel have been assigned to all the above-mentioned contact channels, who will process the information in a timely manner in accordance with the Company's procedures.	None
(2) Does the Company have in place standard operating procedures for investigating allegations, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(2) The Company's "Code of Ethical Conduct" stipulates the standard operating procedures for receiving filings. The information received and all subsequent investigations are handled in a confidential and rigorous manner.	None
(3) Does the Company provide proper whistleblower protection?	V		(3) The Company shall treat the identity of the whistleblower and its report in confidence. It is also committed to protecting the whistleblower from unfair treatment or retaliation.	None
4.Strengthening information disclosure				
(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company's integrity management philosophy, "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct and Procedures for Ethical Management" are disclosed on the Company's website and the Market Observation Post System. The progress of implementation is maintained on the website and in this annual report.	None

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Implementation Status</td><td rowspan="2">Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary Description</td></tr>
<tr><td colspan="5">5.If the Company has established the ethical corporate management policies based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies”, please describe any discrepancy between the policies and their implementation.
The Company's “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” are drawn in line with the guidance issued by Taiwan Stock Exchange Corporation. Every member of the Company is expected to adhere to these and adopt the codes and guidelines into daily operations. Therefore, the Company's operations are consistent with the codes.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s ethical corporate management policies:
1. To implement the fundamentals of ethical corporate management policies, the Company operates in accordance with the “Company Act”, “Securities and Exchange Act”, “Businesses Entity Accounting Act”, regulations for Listed Companies, and other laws and decrees concerning business transactions.
2. The Company's “Rules of Procedure for Board of Directors Meetings” establishes a conflict-of-interest system for directors. A director who has an interest in a proposal submitted to the board should disclose the significant content of his/her interest at the board meeting. If it is detrimental to the interests of the Company, the director should abstain from participating in the discussion or voting. The director should recuse himself/herself from the discussion and not exercise his/her voting rights on behalf of other directors.
3. The Company has established a pledge of honesty and integrity in its dealings and requires suppliers to sign the pledge. This serves as a commitment to abide by the principles of honesty and integrity in all transactions with the Company.</td></tr>
</table>

(8) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods:

The rules and regulations related to corporate governance established by the Company have been posted on the Company's website under the following path: Home > Investor Relations > Corporate Governance > Rules Related to Corporate Governance (www.hiwinmikro.tw) for the interest of the public.

(9) Other important information that may be disclosed to facilitate better understanding of corporate governance: None

(10) Internal Control Systems

1. Internal control statement

Hiwin Mikrosystem Corp.
Internal Control System Statement

Date: February 27th, 2024

The Company states the following with regards to its internal control system during fiscal year 2023, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of financial reporting, and compliance with applicable 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 the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divides internal control into five elements based on the process of management control: (1) control environment; (2)risk assessment; (3)control activities; (4)information and communications; (5)monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of 31st December, 2023 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's annual report and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on February 27, 2024, where 0 of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Hiwin Mikrosystem Corp.

Chairman: Chuo Shou-yeu
General Manager: Si Guo-yi

2. If an accountant is appointed to review the internal control system, the accountant's review report should be disclosed: Not applicable

(11) Penalties imposed on the Company and its internal officers in accordance with the law, penalties imposed on the Company's internal officers for non-compliance with provisions of the internal control system, major deficiencies and improvements in the most recent year and up to the date of printing of the annual report: None

(12) Significant shareholder and board resolutions in the most recent year and up to the date of printing of the annual report

1. Important Shareholder resolutions

Shareholders Meeting Date	Important Proposals	Implementation description
2023.05.30	Recognition of the 2022 Annual Report on Operations and Financial Statements	The resolution was passed. Relevant forms were filed and reported in accordance with the provisions of the Companies Act and other relevant laws and regulations.
	Approved the distribution of earnings for the year 2022	The resolution was passed. Cash dividend of NT$1 per share, with an ex-dividend date of 25 July 2023 were paid on 10 August 2023.
	Approved the amendment to the 'Procedures for Election of Directors'	Resolution passed, publicly announced on the company's website, and processed according to the revised procedures.
	Approved the amendment to the 'Rules of Procedure for Shareholders' Meetings	The resolution has been passed, announced on the company's website, and processed in accordance with the revised rules.
	Approved the removal of prohibition on competition for directors and their representatives	Resolved that a material announcement be made on the same day as the shareholders' meeting

2. Important Board resolutions

Board Meeting Date	Important resolutions
2023.02.23	Approved the distribution of employee remuneration and director remuneration for FY2022
	Approved the "Statement of Internal Control System" for the year 2022
	Approved the 2022 Annual Report on Operations and Financial Statements
	Approved the distribution of the Company's earnings for FY2022
	Approved the amendment to the "Procedures for Election of Directors"
	Approved the amendment to the "Rules of Procedure of the Shareholders' Meeting"
	Removed non-competes prohibitions for chairman
	Approved the Company's business plan for FY2023
	Approved the change of certified public accountants in line with the accounting firm's internal rotation
	Approved the Independence and Suitability of the Company's Certified Public Accountants and Remuneration for their Appointment
	Approved the time, place, agenda, and related matters for the 2023 Annual Shareholders' Meeting of the Company
	Approved the processing of proposals from shareholders
2023.04.11	Removed prohibition on non-competes for directors and representatives
	Removed prohibition on non-competes for managers
	Approved the change of agenda for the 2023 Annual Shareholders' Meeting
2023.05.10	Approved the Company's consolidated financial statements for the first quarter of 2023
	Approved the amendment to the "Rules of Procedure for Board of Directors Meetings"
2023.08.11	Approved the Company's consolidated financial statements for the second quarter of 2023
	Approved the amendment to the "Corporate Governance Best Practice Principles"
	Proposal to increase the amount of the endorsement and guarantee for Matrix Precision Ltd during the construction of the plant in Fengshan Industrial Park
2023.11.10	Approved the Company's consolidated financial statements for the third quarter of 2023
	Approved the 2024 audit plan

	Approved the amendment to the "Rules Governing Financial and Business Matters Between Affiliated Companies" and renamed as "Rules Governing Financial and Business Matters Between Related Parties"
	Approved the formulation of "Procedures for the Compilation and Verification of Sustainability Reports" and "Management Measures for the Compilation and Verification of Sustainability Reports"
	Approved the setup of Nomination Committee and the formulation of its Article of Association
	Approved the appointment of the first Nomination Committee members
2024.02.27	Approved the distribution of employee remuneration and director remuneration for FY2023
	Approved the "Statement of Internal Control System" for the year 2023
	Approved the 2023 Annual Operating Report and Financial Statements
	Approved the distribution of the Company's earnings for FY2023
	Approved the amendment to the "Procedures for Election of Directors"
	Approved the Company's business plan for FY2024
	Approved the change of certified public accountants in line with the accounting firm’s internal rotation
	Approved the time, place, agenda, and related matters for the 2024 Annual Shareholders’ Meeting of the Company
2024.04.02	Approved of the list and qualification review of candidates for the 11th Board of Directors and independent directors
	Removed prohibition on non-competes for new directors and their representatives
	Approved the amendment to the "Rules of Procedure for Shareholders’ Meeting"

(13) Main content of any dispute of directors or supervisors with respect to important resolutions passed by the board of directors in the most recent year and up to the date of printing of the annual report, which are recorded or stated in writing: None

(14) Summary of resignation and dismissal of the Chairman, President, Head of Accounting, Head of Finance, Head of Internal Audit and Head of Research and Development of the Company in the most recent year and up to the date of printing of the annual report: None

4. Auditor Information

(1) Audit fee

Unit: NT$1000

Accounting Firm	Name of CPA	Period Covered by CPA’s Audit	Audit Fee	Non-audit Fee	Total	Remark
Deloitte Taiwan	Tseng, Done-Yuin Yen, Hsiao-Fang	2023	1,820	250	2,070	The Non-audit fee is for tax service.

1. The audit fee in the year when the accounting firm was changed is less than the audit fee in the year before it was changed: None

2. The audit fee decreased by 10% or more from the fee in the prior year: None
3. The audit fee for the year 2024 was approved by the Board of Directors on February 27, 2024.

(2) Independence of the Auditor

The Company regularly assesses the independence of the CPA and reports the results of that assessment to the Board.

1. The Accountant's Statement of Independence and Suitability Information for the assessment is obtained.
2. The Accountant's Independence and Competence Assessment Form is completed.
3. The Company has not been audited by the same CPA for more than seven consecutive years.
4. The Company confirms that the provision of non-audit services does not affect the outcome of the audit.

5. Replacement of CPA

(1) About the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">Approved by the Board of Directors on 23 February 2023</td></tr>
<tr><td>Reasons for change and explanations</td><td colspan="4">In line with Deloitte Taiwan's internal rotation system, the Company's auditor shall be changed from Tseng, Done-Yuin and Chiang, Shu-Chin to Tseng, Done-Yuin and Yen, Hsiao-Fang starting from the first quarter of 2023.</td></tr>
<tr><td rowspan="3">Company’s termination or CPA’s refusal of appointment</td><td colspan="2">Client
Situation</td><td>CPA</td><td>Appointee</td></tr>
<tr><td colspan="2">Voluntary termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">Refusal of (continuing) appointment</td></tr>
<tr><td>Other issues (other than unqualified report) raised in the audit reports within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting Principles or Practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Reports</td></tr>
<tr><td></td><td colspan="2">Scope or Procedure of Audit</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td>Description</td><td colspan="3"></td></tr>
<tr><td>Other disclosures
(Those that should be disclosed in paragraphs 1(d) to 1(g) of paragraph 6 of Article 10 of this Standard)</td><td colspan="4">None</td></tr>
</table>

(2) About the successor CPA

Name of accounting firm	Deloitte Taiwan
Name of CPA	CPAs: Tseng, Done-Yuin and Yen, Hsiao-Fang
Date of appointment	Approved by the Board of Directors on February 23, 2023
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to engagement	Not applicable
Successor CPA’s written opinion regarding accounting disagreement with predecessor	None

(3) Reply letter from the former accountant on matters set out in paragraphs 6(1) and 2(3) of Article 10 of the Standards: Not applicable

6. Information on the chairman, general manager, and manager responsible for the Company's financial or accounting operations, who have worked at the CPA firm or its affiliated entities in the most recent year: None

7. Transfer of equity and changes in equity pledge of directors, supervisors, managers, and shareholders with a shareholding ratio of more than 10% in the most recent year and as of the date of publication of the annual report

(1) Changes in Shareholdings of Directors, Supervisors, Managers and Major Shareholders

Unit: Share

Title	Name	2023		As of March 31, 2024	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman and 10% major shareholder	Chuo Shou-yeu	443,263	—	—	—
Vice Chairman	HIWIN INVESTMENT AND HOLDING CORP.	-	—	—	—
	Eric Y. T. Chuo	(443,263)	—	—	—
Director	Si Guo-yi	-	—	—	—
Director	Yongchiang Investment Co., Ltd.	-	—	—	—
	Representative: Li Shun-chin	-	—	—	—
Director	Chang Lian-gji	-	—	—	—
Director	HIWIN TECHNOLOGIES CORP.	-	—	—	—
	Representative: Liao Ke-huang	-	—	—	—
Independent Director	Gu Chia-heng	-	—	—	—
Independent Director	Chang Chue-bin	-	—	—	—
Independent Director	Chen Chong-ren	-	—	—	—
Executive Vice President	You Kai-sheng	-	—	—	—
Head of Finance and Accounting, Head of Corporate Governance	Chen Mei-yen	-	—	—	—

(2) Information on Share Transfer with Related Parties:

Name	Reason for equity transfer	Trading Date	Counterparty	Relationship between the counterparty and the company, directors, managers, and shareholders with a shareholding ratio of more than 10%	Number of Shares	Trading Price
Eric Y. T. Chuo	Gift	December 26, 2023	Chou Shou-yeu	Father and daughter	443,263	Not applicable

(3) Pledged Shares with Related Parties: None

8. Shareholding ratio of the top ten shareholders, information on their relationship with each other, spouse, or relatives within the second degree

April 1, 2024; Unit: Share, %

Name	Current Shareholding		Spouse's/minor child's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top Ten Shareholders, or Spouses or Relatives within the Second-Degree of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	—
Chuo Shou-yeu	22,395,630	18.69%	928,689	0.78%	—	—	Chuo Show-min Chuo Wen-Hen	2nd degree of kinship 2nd degree of kinship	—
HIWIN TECHNOLOGIES CORP.	9,525,676	7.95%	—	—	—	—	—	—	—
HIWIN TECHNOLOGIES CORP. Representative: Chuo Wen-Hen	74,416	0.06%	9,386,149	7.83%	-	-	Chuo You-ying Chuo You-song Chuo You-po Chou Shou-Yeu Chuo Show-min	1st degree of kinship 1st degree of kinship 1st degree of kinship 2nd degree of kinship 2nd degree of kinship	—
HIWIN INVESTMENT AND HOLDING CORP.	6,592,991	5.50%	—	—	—	—	—	—	—
HIWIN INVESTMENT AND HOLDING CORP. Representative: Chuo Wen-Hen	74,416	0.06%	9,386,149	7.83%	—	—	Chuo You-ying Chuo You-song Chuo You-po Chou Shou-Yeu Chuo Show-min	1st degree of kinship 1st degree of kinship 1st degree of kinship 2nd degree of kinship 2nd degree of kinship	—
Chen Chin-Tsai	4,341,168	3.62%	—	—	—	—	—	—	—
Chuo You-ying	3,717,667	3.10%	—	—	—	—	Chuo Wen-Hen Chuo You-song Chuo You-po	1st degree of kinship 2nd degree of kinship 2nd degree of kinship	—
Chuo Show-min	3,459,914	2.89%	2,259,785	1.89%	—	—	Chiu Yu-jen Chou Shou-Yeu Chuo Wen-Hen	1st degree of kinship 2nd degree of kinship 2nd degree of kinship	—
Chuo You-song	2,834,241	2.37%	—	—	—	—	Chuo Wen-Hen Chuo You-ying Chuo You-po	1st degree of kinship 2nd degree of kinship 2nd degree of kinship	—
Chuo You-po	2,834,241	2.37%	—	—	—	—	Chuo Wen-Hen Chuo You-ying Chuo You-song	1st degree of kinship 2nd degree of kinship 2nd degree of kinship	—
Li Ai-lun	2,525,792	2.11%	—	—	—	—	—	—	—
Chiu Yu-jen	2,258,869	1.89%	—	—	—	—	Chuo Show-min	1st degree of kinship	—

9. The number of shares held by the Company, its directors, managers, and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise and combined to calculate the comprehensive shareholding ratio

December 31, 2023; Unit: 1000 shares, %

Reinvestment Businesses (Note)	Company investment		Director, supervisor, manager and direct or indirect control of business investment		Comprehensive investment	
	Shares	Holding %	Shares	Holding %	Shares	Holding %
Mega-Fabs Motion Systems Ltd.	360	60%	–	–	360	60%

Note: Represents investments in which the Company uses the equity method

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

Unit: 1000 Shares; NT$1000

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase (Non-cash Assets)	Other
2012.07.19	10	58,480	584,800	56,459	564,594	Surplus to capital increase Employee dividend allotment of shares	None	Authorized Commercial No. 10101142320 on July 19 2012
2012.10.02	30	98,480	984,800	64,459	644,594	Cash capital increase	None	Authorized Commercial No. 10101203840 on October 2 2012
2013.08.09	10	98,480	984,800	66,650	666,502	Surplus to capital increase Employee dividend allotment of shares	None	Authorized Commercial No. 10201163830 on August 9 2013
2013.12.04	30	98,480	984,800	73,650	736,502	Cash capital increase	None	Authorized Commercial No. 10201245300 on December 4 2013
2014.09.18	10	98,480	984,800	75,303	753,034	Surplus to capital increase Employee dividend allotment of shares	None	Authorized Commercial No. 10301192350 on September 18 2014
2015.08.25	10	98,480	984,800	78,684	786,843	Surplus to capital increase Employee remuneration allotment of shares	None	Authorized Commercial No. 10401180950 on August 25 2015
2015.12.07	30	98,480	984,800	90,684	906,843	Cash capital increase	None	Authorized Commercial No. 10401260900 on December 7 2015
2016.12.02	10	98,480	984,800	92,162	921,624	Surplus to capital increase Employee remuneration allotment of shares	None	Authorized Commercial No. 10501274670 on December 2 2016
2017.10.02	10	98,480	984,800	92,826	928,264	Surplus to capital increase Employee remuneration allotment of shares	None	Authorized Commercial No. 10601138420 on October 2 2017
2018.07.11	10	98,480	984,800	95,408	954,083	Surplus to capital increase Employee remuneration allotment of shares	None	Authorized Commercial No. 10701076070 on July 11 2018
2018.08.03	35	150,000	1,500,000	106,408	1,064,083	Cash capital increase	None	Authorized Commercial No. 10701087970 on August 3 2018
2019.02.21	-	300,000	3,000,000	106,408	1,064,083	Update of number of shares authorized	None	Authorized Commercial No. 10801014370 on February 21 2019
2019.09.27	56	300,000	3,000,000	117,908	1,179,083	Cash capital increase	None	Authorized Commercial No. 10801130750 on September 27 2019
2020.08.31	10	300,000	3,000,000	118,616	1,186,157	Surplus to capital increase	None	Authorized Commercial No. 10901160810 on August 31 2020
2021.10.26	10	300,000	3,000,000	119,802	1,198,018	Surplus to capital increase	None	Authorized Commercial No. 11001193610 on October 26 2021

Unit: Share

Share Type	Authorized Capital			Authorized Capital
	Issued Shares	Unissued Shares	Total Shares	
Registered common stock	119,801,848	180,198,152	300,000,000	Shares of a listed company

Information on the Omnibus Reporting System: None

(2) Composition of Shareholders

April 1, 2024

Status of Shareholders / Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of people	0	0	114	12,588	38	12,740
Number of shares held	0	0	22,651,150	96,356,817	793,881	119,801,848
Holding ratio	0%	0%	18.91%	80.42%	0.67%	100%

(3) Shareholding Distribution Status

April 1, 2024

Share Class	Number of Shareholders	Shareholding (Shares)	Percentage
1~999	6,362	215,432	0.18%
1,000~5,000	5,024	8,839,763	7.38%
5,001~10,000	656	4,608,398	3.85%
10,001~15,000	224	2,640,230	2.20%
15,001~20,000	119	2,051,942	1.71%
20,001~30,000	111	2,686,819	2.24%
30,001~40,000	54	1,829,103	1.53%
40,001~50,000	33	1,490,202	1.24%
50,001~100,000	67	4,574,488	3.82%
100,001~200,000	45	6,366,253	5.31%
200,001~400,000	11	3,213,112	2.68%
400,001~600,000	13	6,529,892	5.45%
600,001~800,000	2	1,233,670	1.03%
800,001~1,000,000	2	1,755,937	1.47%
over 1,000,001	17	71,766,607	59.91%
Total	12,740	119,801,848	100%

(4) List of Major Shareholders

April 1, 2024

Shares / Shareholder's Name	Shareholding (Shares)	Percentage
Chuo Shou-yeu	22,395,630	18.69%
HIWIN TECHNOLOGIES CORP.	9,525,676	7.95%
HIWIN INVESTMENT AND HOLDING CORP.	6,592,991	5.50%
Chen Chin-tsai	4,341,168	3.62%
Chuo You-ying	3,717,667	3.10%
Chuo Show-min	3,459,914	2.89%
Chuo You-po	2,834,241	2.37%
Chuo You-song	2,834,241	2.37%
Li Ai-lun	2,525,792	2.11%
Chiu Yu-jen	2,258,869	1.89%

(5) Market Price, Net Worth, Earnings, and Dividends per Share in the last two years

Year. / Item			2022	2023	As of March 31, 2024
Market Price per Share	Highest		123.0	85.0	89.4
	Lowest		61.5	60.1	61.3
	Average		90.06	71.16	67.70
Net value per Share	Before Distribution		32.55	31.60	(Note)
	After Distribution		32.55	—	—
Earnings per Share	Weighted Average Shares (thousand shares)		119,802	119,802	119,802
	Earnings Per Share (after tax)		2.73	0.04	(Note)
Dividends per Share	Cash Dividends		1.0	0.1	—
	Stock Dividends	Dividends from Retained Earnings	—	—	
		Dividends from Capital Surplus	—	—	
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price / Earnings Ratio		32.99	1,779.00	—
	Price / Dividend Ratio		90.06	711.60	—
	Cash Dividend Yield Rate (%)		1.11	0.14	—

Note : The latest consolidated financial statements as of 31 March, 2024 have not been approved by the Board of Directors and not been reviewed by the auditor at the date of printing of this annual report.

(6) Dividend policy and implementation status of the Company

1. Dividend policy

When the Company distributes earnings for each fiscal year, it shall first recover losses and set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital. The Company also distributes (or reverses) the special reserve in accordance with other laws and regulations, extra dividend of 6% (inclusive) or less. Distributions of earnings may be made in the form of cash dividends or stock dividends, provided that the percentage of stock dividends shall not exceed two-thirds of the sum of cash dividends and stock dividends to shareholders for the year.

Based on financial, business, and operational considerations, the Company may distribute the remaining balance after deducting the aforementioned amount, together with all or part of the undistributed earnings of the previous year and the distributable earnings of the current year.

The Company's Articles of Association do not specify the distribution rate of dividends to shareholders. The distribution of dividends is subject to adjustment based on future capital expenditure plans and capital conditions, and shall be resolved by the Board of Directors and shareholders' meeting. As the Company continues to expand its plants and develop new products, it needs to retain a certain level of capital. In addition, in recent years, the distribution rate has been no less than 30% of the Company's annual net income, in the form of cash or shares, with all cash dividends being no less than one-third of the total dividends.

2. The proposed dividend distribution at the shareholders' meeting

The appropriation of earnings for the year 2023 was resolved by the board of directors on February 27, 2024, and the total dividends of NT$11,980,185 (NT$0.1 per share) to shareholders will be paid in cash. The cash dividends will be submitted at the shareholders' meeting after approval of the board of directors, and the chairman shall be authorized to set the basis date for dividend distribution.

3. Significant changes in dividend policy: None

(7) Impact of the proposed gratis allotment of shares at the shareholders' meeting on the Company's operating results and earnings per share

The proposed gratis allotment of shares at the shareholders' meeting will not be distributed and is therefore not applicable.

(8) Employee and Director Remuneration

(1) The percentage or scope of employee and directors' remuneration as stipulated in the Company's Articles of Incorporation

The Company's remuneration consists of basic salary, bonuses, and employee compensation. The total of bonuses and employee remuneration depends on the Company's overall operating performance and performance of individual employees which determine the amount to be allocated.

In accordance with the Company's Articles of Association, if the Company earns a profit in a year, it shall allocate no less than 1% for employee remuneration and no more than 4% for directors' remuneration. The remuneration to employees shall be distributed in the form of shares or cash as determined by the Board of Directors, and the remuneration to directors shall be paid in cash. The remuneration to employees and directors shall be reported at the shareholders' meeting. However, if the Company has accumulated losses, the amount of remuneration should be reserved in advance, and the remuneration to directors and supervisors as well as employees should be provided in accordance with the aforementioned ratio.

(2) Basis for estimating the total employee and directors' remuneration, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment if the actual amount of distribution differs from the estimated amount

If there is a significant change in the amount of remuneration resolved by the board of directors post year-end, the change shall be adjusted to the expense of the year when the profit originated. If there is still a change in the amount after the annual financial statements have been approved and released, it shall be treated as a change in accounting estimate and recorded the following year.

(3) The Board of Directors approves the distribution of remuneration in the following circumstances:

(a) Employee and directors' remuneration in the form of cash or shares: At the Board of Directors' meeting held on February 27, 2024, the distribution of employee remuneration and directors' remuneration for 2023 was approved. The amount and distribution method are as indicated in the table below, with no variance from the estimated provision amount for expense recognition for the fiscal year.

Unit: NT$1,000

Items	Distribution amount	Distribution form
Employees' remuneration	1,000	Cash
directors' remuneration	0	

(b) The amount of employee remuneration distributed in the form of shares and its proportion to the total amount of net income after tax and total employee remuneration in the individual or individual financial statements for the period: Not applicable

(4) Actual distribution of employee remuneration and directors' remuneration in the previous year

(a) The actual cash distribution as employee remuneration in 2023 was $21,847,000.

(b) The actual cash distribution as directors' remuneration in 2023 was $10,923,000.

(c) There was no difference between the actual distribution and distribution amount reported at the shareholders' meeting held on May 30, 2023.

(9) Company shares repurchase: None

2. Implementation status of corporate bonds: None

3. Implementation status of special stocks: None

4. Implementation status of overseas deposit receipts: None

5. Implementation status of employee stock options: None

6. Implementation status of restrictions on handling new shares with employee rights: None

7. Implementation status of handling mergers and acquisitions or transfer of shares of other companies to issue new shares: None

8. Implementation status of financial plans:

As of the last quarter of the year prior to the printing date of the annual report, there were no issuance of securities or private placements outstanding or completed within the last three years for which the benefits of the plan have not yet been achieved.

V. Operational Highlights

1. Business Activities

(1) Business scope

1. The main content of the company's business

   The Company is a leading brand in electromechanical components and systems, dedicated to advancing innovation and development in high-end transmission and motion control. We focus on the research and development of nanometer and micrometer positioning systems, as well as key components for high-precision motion control. Our product line includes linear motors, direct drive motors, torque motors, AC servo motors, incremental and absolute position measurement systems, advanced servo drives compatible with major international standard buses, and multi-axis motion controllers. We provide comprehensive and high-value-added solutions for industries such as semiconductors, high-end machine tools, advanced electronic manufacturing, automation, and smart manufacturing.

2. Operating weighting

Unit: NT$1,000；%

Main Products \ Year	2022		2023	
	Amount	Weighting (%)	Amount	Weighting (%)
Precision Motion and Control Components	1,834,333	56.82	1,238,811	57.08
Micron and Nano- level Positioning Systems	1,356,289	42.01	907,360	41.81
Others	37,758	1.17	24,029	1.11
Total	3,228,380	100.00	2,170,200	100.00

3. Current Products (Services)

   Our two main product categories and their respective series are outlined in the table below. These products are extensively used across various industries including semiconductors, high-end machine tools, advanced electronic manufacturing equipment, and smart manufacturing.

Product Category	Series
Precision Motion and Control Components	Controllers, drives, linear motors, direct drive motors, torque motors, servo motors, linear actuators, position measurement systems
Micron and nano-level positioning systems	Single-axis positioning stages, dual-axis positioning stages, gantry-based positioning stages, bridge-based positioning stages, air-bearing positioning stages, multi-axis positioning stages, customized positioning stages

4. New products (services) to be developed

   The Company continues to focus on the development of high precision motion control components and high-precision positioning systems. The new products planned for development are as follows:

   (1) Industrial communication drive
   (2) High-precision direct drive motor
   (3) Energy-saving motor
   (4) High-precision wedge-type positioning platforms

(2) Industry overview

1. Industry Development and Status

Global industries are influenced by multiple factors, including economic conditions and geopolitical tensions. Currently, many countries are experiencing inflationary pressures, with conflicts such as the Russia-Ukraine and Israel-Palestine wars still unresolved. Additionally, restrictions on exports of high-tech equipment and technology to China by countries like the USA, Europe, and Japan have further increased global trade instability, leading to weakened economic activity. Looking ahead to 2024, demand for emerging applications continues to grow, especially in areas such as AI, HPC, IoT, smart manufacturing, and electric vehicles, as well as heightened global attention to net-zero carbon emissions. These factors are creating new business opportunities, particularly in the semiconductor and automation sectors.

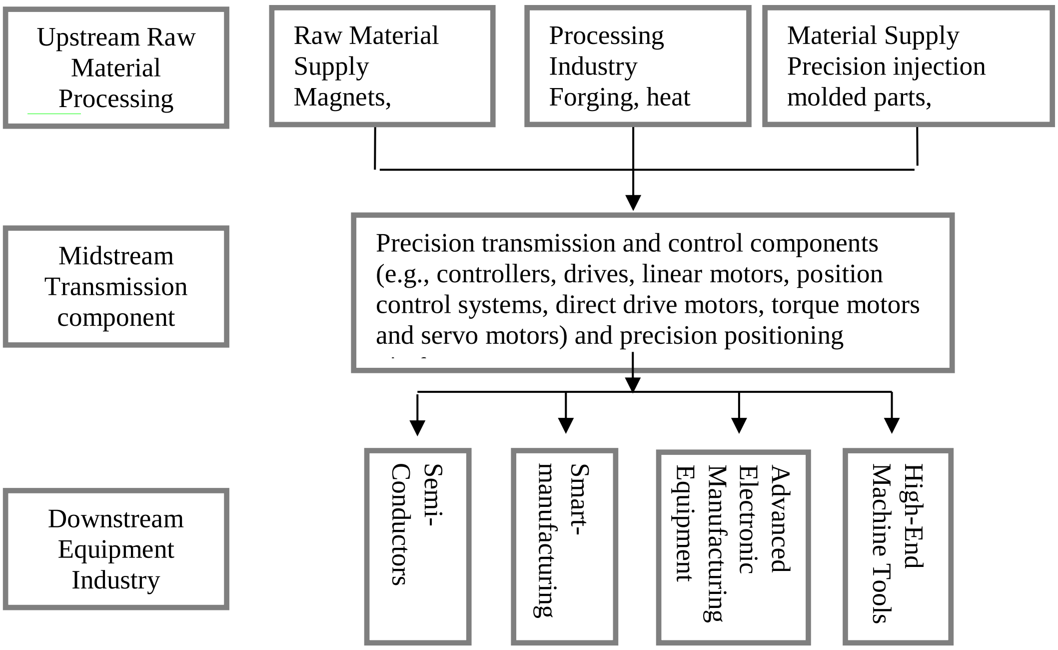
Influenced by geopolitical considerations, governments around the world regard the semiconductor industry as crucial to national security. By offering subsidies and other incentives, they are actively attracting global semiconductor giants like TSMC, Intel, and Samsung to establish production bases domestically. This trend not only promotes the diversification of global semiconductor manufacturing capabilities but also drives national efforts in the development of high-end chip technology and manufacturing equipment.

Significant investments in AI technology development and application are driving rapid growth in high-performance computing. The demand for semiconductors and other electronic components by the electric vehicle industry has doubled, further boosting the demand for semiconductor manufacturing, advanced packaging, and server equipment. Additionally, advanced manufacturing nations facing severe labor shortages due to an aging population, coupled with government efforts to promote localization and shortening of supply chains, are significantly increasing the demand for production automation and smart manufacturing equipment.

Amid the trend of global supply chain restructuring, Taiwan, with its rich experience and capabilities in digital technology and infrastructure development, is attracting substantial international investment and strategic placements, especially in sectors like 5G, IoT, HPC, machine tools, and electric vehicles, forming a more mature and diversified industrial cluster. Benefiting from the rapid growth in demand for advanced chips, Taiwan’s semiconductor manufacturing industry continues to expand its facilities and increase capacity, thereby promoting the upgrading and transformation of domestic enterprises toward automated manufacturing. We will continue to collaborate with our partners to build a technology supply chain for smart manufacturing, persistently innovating, enhancing competitiveness, and maintaining a leading position in global advanced technology.

2. Upstream, midstream, and downstream industry linkages

In the transmission components industry chain in which we operate, the upstream consists of raw material supply and processing, the midstream involves the manufacturing of precision transmission components, and the downstream covers various application fields. The structure of the industry chain is illustrated in the diagram below, where we occupy a core role in the midstream.



3. Product Development Trend

With the leap in 5G and HPC technologies, the diverse demand for automation equipment such as AI and smart manufacturing is increasing daily. This is driving the development of key components such as controllers, drivers, linear motors, torque motors, direct drive motors, spindle motors, and servo motors towards higher precision, efficiency, and performance. In response to net-zero carbon goals, motor designs with high energy conversion rates significantly reduce carbon emissions and energy consumption, becoming critical green components for industrial equipment upgrades.

In recent years, the rapid development of the electric vehicle industry has led to a surge in demand for high-precision gears to reduce motor noise, enhance range, extend battery life, and decrease the frequency of gearbox maintenance. Faced with the need for improved machining precision and machine tool upgrades, the "TM2 Water-Cooled Torque Motor," which won the Taiwan Excellence Gold Award in 2023, uses a breakthrough patented closed-loop cooling channel design. This design effectively reduces motor energy consumption, offers 30% more torque than similar market products, and reaches top speeds of up to 5,000 RPM. It is particularly suitable for applications in high-precision gear grinding and power skiving machines. This award-winning product provides new possibilities for transitioning the machine tool industry from traditional mechanical structures to fully electric configurations.

We focus not only on product innovation but also on optimizing product efficiency. In our manufacturing processes, we adhere to environmental standards for energy conservation and carbon reduction, using materials certified by RoHS, REACH, UL, CE, and other regulations. Our goal is to supply green industrial products that meet international standards and co-create benefits of a circular economy with our customers.

4. Product Competition

Facing fierce competition from major manufacturers in Germany, Japan, the USA, and China in the global market, we boast the most comprehensive product line of precision motion and control components, offering highly integrated, all-encompassing solutions. Leveraging our resource strengths through a vertical integration strategy, we continuously enhance our research and development innovation and in-house production capabilities, strengthening our unique competitive position in the market. Additionally, we provide our customers with high-quality products and services. Whether facing challenges of high-end performance or intense price competition, we demonstrate a highly flexible combination of advantages, creating added value for our customers and continuously expanding our application fields and customer base.

We focus on strengthening our core competencies, adhering to a professional and global business philosophy. We plan long-term and short-term technical and business development strategies, practicing the core value of "With us, you are a hi-tech winner." This allows us to exert an industry benchmark influence, leading all stakeholders towards a sustainable, environmentally friendly green supply chain, and embracing a new era of mutual benefit.

(3) Technology and R&D overview

1. Technology level of business

(1) Our company has long been deeply involved in the research and development and manufacturing of critical electromechanical components related to motion control. Our product range includes linear motors, torque motors, servo motors, various types of drivers, and controllers, applicable in industries such as automation, panel, PCB, semiconductor, machine tools, printing, and automotive, providing comprehensive solutions to our customers. In response to the market trend for smaller and lighter products (such as mobile phones, panels, and other consumer products), improving production efficiency and energy saving, enhancing system safety, and meeting Industry 4.0 requirements, critical components play a crucial role. These components not only meet the demands for high speed and precision but also reduce thermal loss, save energy, and feature low-carbon designs. Most importantly, they are equipped with safety mechanisms to prevent injury to personnel and damage to equipment, and they are aligned with the Industry 4.0 standards for communication and intelligent self-diagnostic functions.

(2) Key components such as linear motors, torque motors, direct drive motors, servo motors, and various types of drive controllers and position measurement systems all comply with international certifications, such as CE, UL, and functional safety certifications. They have also won numerous Taiwan Excellence Awards, including gold and silver honors. Our technology level is on par with global standards and has been recognized and adopted by major international manufacturers from Germany, Japan, the USA, and Israel, while also continuing to extend to the development and promotion of next-generation products.

(3) By leveraging global resource vertical integration and electromechanical integration capabilities, we collaborate with customers to develop next-generation ultra-precision positioning platforms. These are applied in advanced semiconductor, panel, and PCB inspection processes, earning long-term recognition and adoption by the top two global semiconductor companies and the top three global PCB AOI inspection manufacturers.

2. Research and Development

(1) In response to the demands of various industries, we have developed core critical components such as linear motors, torque motors, servo motors, high-speed spindle motors, and drive control systems that are essential for Industry 4.0 and smart manufacturing. We also meet customers' needs for complete system solutions by collaboratively integrating and developing forward-looking ultra-precision positioning platforms, thereby staying ahead of the competition and in sync with global technology standards.

(2) We are actively planning and designing, investing in the development of key processes, and using in-house developed critical components to establish smart manufacturing lines. This not only creates a better working environment but also protects our core production technologies while maintaining competitiveness in price and delivery.

(3) We continue to invest in R&D resources, including conducting in-house research and

collaborating with foreign research centers, domestic academia, and related research institutions. This enhances our self-developed capabilities, maintains our competitive edge, and facilitates talent development.

(4) By integrating global resources and continuing innovation, we filed ten patent applications in 2023 and were granted 19 patents, bringing our total to 240 active patents by the end of 2023. Our R&D product, the "Water-cooled Torque Motor - TM2," won the Gold Award at the 32nd Taiwan Excellence Awards organized by the Ministry of Economic Affairs, proving our mastery of critical R&D and manufacturing capabilities in electromechanical products.

3. Research and development expenses for the most recent year and up to the publication date of the annual report:

Unit: NT$1,000；%

Item	2022	2023
Research and development expenses	311,422	280,298
Net operating revenue	3,228,380	2,170,200
Percentage of net operating income	9.65%	12.92%

4. Technology or products developed in the latest year and up to the date of printing of the annual report

The following products and technologies were successfully developed during the year:

(1) High-end drive: Low-voltage drives for the semiconductor industry
(2) Direct Drive Motor: High-response direct drive motors
(3) Position measurement system: Absolute-type magnetic encoders
(4) High-precision positioning platform: Wafer advanced packaging inspection precision positioning platform

(4) Long-term and short-term business development plans

We continue to cultivate expertise in the fields of high-precision motion and control components, as well as advanced precision positioning systems, providing customers and the market with more comprehensive and competitive high-value-added solutions. In terms of high-precision motion and control components, our company is continuously enhancing our driver, controller, and position encoder technologies to help boost the competitiveness of our clients' equipment. In the development of advanced precision positioning systems, based on our electromechanical vertical integration capabilities, we are persistently expanding into high-end, high-value precision equipment markets, such as nanoscale positioning for wafer inspection, advanced semiconductor packaging, and EV-related equipment. In addition to technical and product development, we are formulating short-, medium-, and long-term plans in conjunction with the development of business activities as follows:

1. Short-term Business Development Plan
(1) Meet customer needs, establish long-term cooperative relationships, and enhance competitive advantages.
(2) Leverage the group’s global sales network to provide customers with immediate localized services and optimize cost-effectiveness.
(3) Strengthen pre-sales and post-sales services, accurately grasp customer needs, and increase satisfaction and loyalty.

2. Medium- and long-term business development plan
(1) Integrate group resources to enhance the added value of products and overall solutions, assisting customers in transformation and upgrading.
(2) Deepen engagement with growth-oriented key industries, including semiconductors, electric vehicles, and automation, to expand our global market share.
(3) Continuously promote product innovation towards net-zero carbon emissions, optimize production processes and services, and achieve sustainable corporate operation and development.

2. Market and Sales Overview

(1) Market analysis

1. Major product sales regions

The Company's revenue and proportion by region for the last two years are as follows

Unit: NT$ 1,000

Region \ Year		2022		2023	
		Amount	Weighting (%)	Amount	Weighting (%)
Export	Asia	1,778,677	55.10	1,244,411	57.34
	America	279,299	8.65	145,693	6.71
	Europe	677,337	20.98	431,577	19.89
	Other	20,223	0.62	16,349	0.75
	Subtotal	2,755,536	85.35	1,838,030	84.69
Domestic Sales		472,844	14.65	332,170	15.31
Total		3,228,380	100.00	2,170,200	100.00

2. Market share

As the world's largest manufacturer of semiconductor precision positioning systems, our company has won a total of 10 Taiwan Excellence Awards, including both gold and silver, from 2004 to 2024. From 2022 to 2024, we have consecutively won the Taiwan Excellence Gold Award for three years, affirming our excellence. We have also repeatedly received the "Global Best Supplier Award" from one of the largest semiconductor equipment manufacturers globally, further enhancing our sales effectiveness in nano and micrometer-level positioning system platforms.

Our electromechanical systems, subsystems, and components, including high-speed single-axis positioning platforms, linear motors, and torque motors, which are core critical drive components, have been implemented in equipment from several of the top 10 global machine tool manufacturers, as well as the automated production and testing lines of the world's largest electric vehicle manufacturer, playing a pivotal role in the global manufacturing supply chain. The global market demand for linear motors, servo motors, direct drive motors, torque motors, high-end drivers, and controllers continues to grow, significantly contributing to future revenue growth.

3. Future market supply and demand and growth

As the global proliferation of 5G and high-performance computing technologies continues, fields such as electric vehicles, automated manufacturing, smart logistics supply chains, and AI are experiencing rapid growth. Despite a more conservative overall industry trend in 2023, we remain focused on research and development and exploring new markets, maintaining a leading edge in the highly competitive market. Additionally, we are fully committed to supporting green and sustainable development, actively implementing carbon reduction and green energy measures. By driving innovation in manufacturing and maintaining close ties with our partners, we jointly venture into a new era of sustainable and innovative green initiatives.

4. Competitive Niche

(1) Possessing comprehensive product development capabilities and integrated solutions from key components to positioning systems, fulfilling one-stop customer needs.

(2) Holding leading technology and extensive experience in semiconductor nano-positioning systems.

(3) Global presence and local cultivation combined with high in-house production capability and regional risk diversification strategy effectively address market volatility and maintain a stable supply chain.

5. Favorable and unfavorable factors of development prospect and its countermeasures

(1) Favorable factors

(A) Deeply rooted in the semiconductor industry, continuously maintaining core technologies in key components and systems.
(B) Possessing industry-leading ultra-thin direct drive motors with a unique slim design.
(C) Offering a rich and complete product line that meets diverse industrial needs and complies with net-zero emission policies.
(D) Leveraging integrated group resources for mutual support, providing comprehensive solutions to customers.
(E) The proliferation of 5G technology promotes rapid development in global smart manufacturing and automation industries.
(F) Sales channels spread across major advanced industrial nations, providing excellent immediate local services.
(G) Investing in R&D resources, participating in the development of next-generation products for clients, offering professional technical consultancy, and high-quality services.

(2) Negative Factors
(A) Global inflation pressures and geopolitical uncertainties may influence client investment decisions and end-user demand, potentially leading to market downturns.
(B) Tensions and ongoing competition between the USA and China affect customer preferences.
(C) International brand competition impacts customer product preferences.
(D) Climate change and the trend towards achieving net-zero carbon emissions may lead to short-term supply chain adjustments.

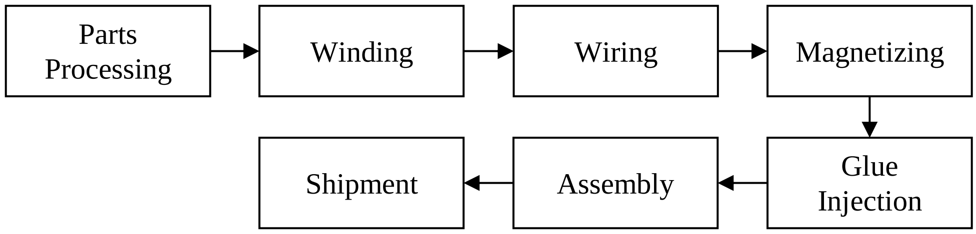
(3) Countermeasures:
(A) Continue investing in technical talent training to accumulate new technological capabilities for future products.
(B) Expand global sales bases to reduce regional collaboration risks and increase market coverage.
(C) Strengthen patent technologies, develop high-value-added products, and enhance brand competitiveness.
(D) Provide technical support center online services to quickly resolve customer selection and technical issues.
(E) Regularly host new product launches, technical forums, and training to enhance brand recognition and product familiarity.
(F) Identify and address risks such as climate change, implement countermeasures, and explore emerging business opportunities.

(2) Important applications and production processes (main products)

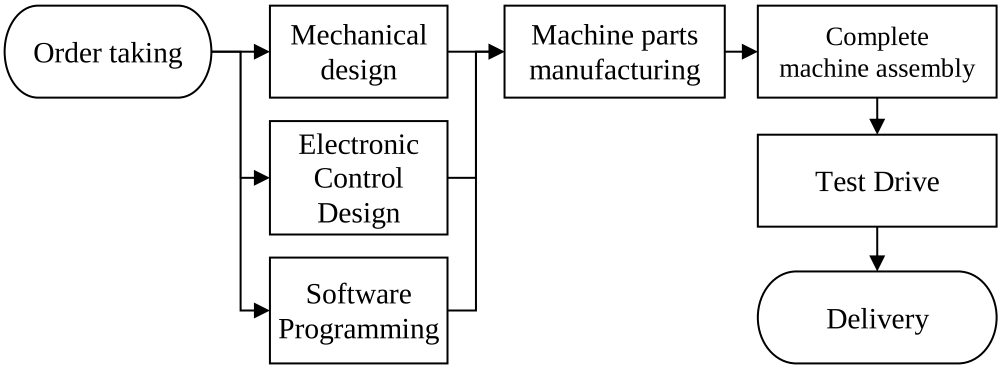
1. Important use of major products

Main Products	Applications
Precision Motion and Control Components	Linear motors, direct drive motors, torque motors, servo motors, high speed spindle motors, position measurement systems, etc., with self-developed drives and controllers to achieve nano-scale high precision positioning control functions; our products are widely used in different industries such as semiconductor equipment/automation transport/FPD equipment/PCB equipment/AOI inspection equipment/SMT equipment/laser processing machine/various of robot arms/ machine tools/EV-related/solar energy, etc.
Micron and Nano-scale Positioning Systems	Various high precision positioning stages, such as single-axis, X-Y dual-axis, bridge, gantry, and air bearing positioning stages for different industrial applications (e.g., automation equipment, automotive industry, optical inspection, laser processing, plastic coating, metal processing, etc.)

2. Production processes
(1) Precision motion and control elements



(2) Micron and Nanometer Positioning System



(3) Supply of major raw materials

Our company's main raw materials include mechanical components, optical scales, magnets, and electronic components, primarily sourced from Taiwan, Europe, America, Japan, and China, with a good supply status. To effectively address supply chain risks caused by climate change, we have established a dedicated team to conduct risk assessments and prepare response strategies. These include strategic stockpiling and employing diverse designs to mitigate specific material risks, ensuring the stability of our supply chain and the flexibility of our business operations.

(4) Customers who have accounted for more than 10% of the total purchase and sales in the last two years

1. List of suppliers accounting for more than 10% of total purchase
   There were no suppliers with more than 10% of the purchases for the 2022-2023 fiscal year.
2. List of suppliers accounting for more than 10% of total sales

Item	2022				2023			
	Name	Amount	Ratio of annual net sales (%)	Relationship with the Issuer	Name	Amount	Ratio of annual net sales (%)	Relationship with the Issuer
1	Customer A	990,511	30.68	Other related parties	Customer A	676,280	31.16	Other related parties
2	Customer B	748,387	23.18	None	Customer B	490,867	22.62	None
3	Others	1,489,482	46.14		Others	1,003,053	46.22	
	Net sales	3,228,380	100.00		Net sales	2,170,200	100.00	

Analysis of Changes: In 2023, there was a 33% decrease compared to 2022, mainly due to global inflation, escalating geopolitical risks, and rising costs in the global supply chain. Demand of semiconductor to end-user markets did not show signs of recovery.

(5) Production value in the last two years

Unit: PCS /NT$1,000

Main Products \ Production Volume and Value \ Year	2022			2023		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Precision Motion and Control Components	338,851	291,796	1,823,295	293,379	229,087	1,315,687
Micron and Nanometer Positioning Systems	5,233	3,406	1,327,934	5,412	3,691	868,856

Analysis of Changes: The decline in production output and value is mainly due to global inflation, escalating geopolitical risks, and rising costs in the global supply chain. Demand of semiconductor to end-user markets did not show signs of recovery.

(6) Sales value in the last two years

Unit: PCS /NT$1,000

Main Products \ Sales Volume and Value \ Year	2022				2023			
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Precision motion and Control Components	36,849	279,376	261,769	1,554,957	24,642	208,984	201,973	1,029,827
Micron and Nanoscale Positioning Systems	906	172,874	2,514	1,183,415	479	121,166	2,501	786,194
Others	(Note)	20,594	(Note)	17,164	(Note)	2,021	(Note)	22,008
Total	37,755	472,844	264,283	2,755,536	25,121	332,171	204,474	1,838,029

Note: Other items are of different types, and the production and capacity are not comparable and cannot be shown.

Analysis of Changes: The decline in sales is mainly due to global inflation, escalating geopolitical risks, and rising costs in the global supply chain. Demand of semiconductor to end-user markets did not show signs of recovery.

3. Information of employees for the last two years and as of the publication date of the annual report

Unit: person

Year		2022	2023	As of March 31, 2024
Number of Employees	Manager	23	22	22
	Production line staff	255	203	198
	General staff	342	326	325
	Total	620	551	545
Average Age		35.5	36.5	38.0
Average Years of Service		5.4	6.3	7.5
Education	Ph.D.	0.96%	1.09%	1.10%
	Masters	26.77%	29.03%	29.17%
	Bachelor’s Degree	57.25%	49.55%	49.72%
	Senior High School	9.67%	11.07%	11.19%
	Below Senior High School	5.35%	9.26%	8.82%

4. Environmental Protection Expenditure

(1) In the latest year and as of the printing date of the annual report, the Company has not incurred any losses or been fined by regulatory authorities due to environmental pollution incidents.

(2) Countermeasures

The Company has always placed great emphasis on environmental protection and the implementation of sustainable practices. For detailed explanations of the management strategies regarding water, air, energy, and waste, please refer to Chapter 4 of the ESG report for the year.

5. Labor Relations

(1)Employee welfare measures, further studies, training, retirement system and its implementation, as well as agreements between labor and management and various measures to protect employees' rights and interests.

Employees are the core driving force behind the continuous growth and development of the company. We are committed to providing a safe, clean, and high-quality working environment to support the full development of our employees.

1. Employee Benefits Measures:
   (1) Implement a fair salary and bonus system to motivate employees to achieve performance goals and share in the success of the company.
   (2) Establish a labor welfare committee in accordance with the law to promote various employee welfare activities and enhance employee well-being.
   (3) Provide medical, accident, and major illness insurance for employees and their dependents to ensure they receive necessary support.
   (4) Offer a monthly childcare subsidy of NT$5,000 per child for up to 3 years, totaling NT$180,000 per child. We also provide cozy nursing rooms to encourage childbirth and support employees' family life.
   (5) Hold annual awards for exemplary employees, providing substantial bonuses to encourage outstanding performance and contributions.
   (6) Provide well-equipped and comfortable employee dormitories to ensure employees have a good rest environment.
   (7) Offer free uniforms, employee parking, employee restaurants, overtime meals, and complimentary snacks.
   (8) Conduct regular health checks, provide on-site medical services, and professional counseling to care for the physical and mental health of employees.
   (9) Implement maternity protection measures, including providing exclusive parking spaces for pregnant employees within the factory premises to ensure their convenience and safety during pregnancy.
2. Education and Training
   (1) Comprehensive Training for All Employees
   We firmly believe that outstanding talent is the cornerstone of enterprise sustainability and value the learning opportunities and career development of each colleague. Our training programs cover a wide range of topics, including new employee training, professional skills, managerial skills, and general competency training. The aim is to enhance the professional skills and technical proficiency of all employees through a comprehensive training approach.

   (2) Diverse Training Opportunities
   We provide abundant and diverse training resources and channels, encouraging employees to grow and learn through various means. In addition to various in-house training activities, we actively encourage employees to participate in professional exhibitions and benchmark company visits both domestically and internationally, broadening their horizons and deepening their understanding of industry trends to continue progressing.

   (3) Learning Incentive Mechanism

To encourage lifelong learning, we support employees in attending classes, credit courses, and degree programs at major colleges and universities. Each colleague can apply for training and freely register for various training activities organized by the company. All learning expenses, including course fees, transportation, and accommodation, are fully covered by the company. Furthermore, we offer a learning incentive mechanism, such as salary increases, certification rewards, and the distribution of learning bonuses. In 2023, a total of 3,513 people were trained, with 58 individuals receiving salary increases based on training assessment results.

3. Retirement system and its implementation status:

The company has established an employee retirement scheme in accordance with the Labor Standards Act and the Labor Pension Act, which includes both defined benefit and defined contribution systems. We regularly commission actuaries to provide employee benefit actuarial reports to ensure the fulfillment of retirement benefit obligations and safeguard the retirement rights of our colleagues.

(a) New Pension System

A. All employees of the Company choose or are subject to the new system.

B. The Company contributes 6% of employee salaries to the employee individual pension accounts in the Bureau of Labor Insurance monthly, and a total of NT$22,670,000 was contributed in 2023.

(b) Old system pension

A. Employees subject to the Labor Standards Act before the implementation of the Labor Pension Act who retain seniority are eligible.

B. The Labor Retirement Reserve Supervisory Committee is established to manage the old retirement pensions.

C. Contribution to employee retirement reserve: The Company contributes 2% of employee salaries to the pension fund monthly, which is deposited under the name of the Labor Retirement Reserve Supervisory Committee which is a special account for labor retirement reserve. This special account is used exclusively for this purpose, and the Trust Department of the Bank of Taiwan handles the income and expenses of the fund and its custody to ensure that it is not the subject of alienation, attachment, offsetting or guarantee.

D. Employee pension payments: When employees who meet the conditions of the old retirement scheme apply for retirement benefits from the company, the Company pays the employee from the Labor Retirement Reserve Fund.

(A) Employees who have worked for 15 years or more shall be paid two base salaries for each year of service, and those who have worked for more than 15 years shall be paid one base salary for each year of service, up to a maximum of 45 base salaries, and the remaining service shall be counted as half a year if it is less than half a year and one year if it is more than half a year.

(B) The pension shall be paid in lump sum within 30 days after the date of retirement.

(C) Employees who are compulsorily retired and are physically or mentally disabled due to performance of duties shall receive an additional 20% of their pension.

(D) The standard base salary mentioned above is the average monthly salary of the retiree at the time of retirement approval.

E. As of the end of 2023, the accumulated amount of the Labor Retirement Reserve Fund was NT$20,829,000.

(c) Retirement System

A. Company employees may retire under any of the following conditions:

(A) If the employee has worked for at least fifteen years and has reached the age of fifty-five.

(B) If the employee has worked for at least twenty-five years.

(C) If the employee has worked for at least ten years and has reached the age of sixty.

B. The length of service of employees transferred between affiliated companies (including but not limited to those specified by the Company Law as affiliated companies) shall be aggregated, and retirement benefits shall be distributed based on the ratio of service years in each company.

4. Agreements between labor and management, and measures to protect employee rights and interests

The company emphasizes the importance of labor-management relations by holding regular quarterly labor-management meetings and conducting occasional employee satisfaction surveys. We actively listen to employees' feedback on various benefits, using it as the basis for continuous improvement within the company. Considering the diversity of our team composition and to ensure the rights of foreign employees, both the minutes of labor-management meetings and related announcements are available in English.

(2) Losses suffered due to labor disputes in the last two years and up to the date of printing of the annual report

The Company is committed to maintaining harmonious labor-management relations and has not incurred any losses due to labor disputes.

(3) Employee code of ethical conduct

The Company has established regulations such as the "Integrity Management Procedures and Guidelines," "Code of Ethical Conduct," and "Procedure for Handling Employee Gifts and Hospitality" to provide guidelines for employee behavior.

6. Information Security Management

(1) Information security management infrastructure

1. In order to ensure the implementation of information and communication technology (ICT) security, our company has established an ICT Security Governance Committee responsible for coordinating ICT security measures. This includes formulating ICT security policies and objectives, planning and implementing risk management initiatives, conducting real-time assessments of information security risks, and reporting to the board of directors. The security team is led by an Executive Vice President who serves as the dedicated security officer, overseeing the implementation and coordination of security policies and resource allocation. Additionally, two dedicated security personnel are responsible for planning and executing ICT security tasks, conducting system inventories, performing security risk assessments, and regularly reviewing security policies to comply with the requirements of ICT security control guidelines for listed and OTC companies.

2. The internal audit department performs regular audits in accordance with the established internal control procedures. If significant deficiencies are identified during the audit, the audited unit is required to submit improvement plans and specific measures to the board of directors, which then monitors the effectiveness of the improvements on a regular basis to mitigate information security risks.

3. In terms of security operations, we have established key performance indicators for information security and implemented a Plan-Do-Check-Act (PDCA) goal-oriented management cycle to promote the information security management system, ensuring the reliability of goal achievement and continuous improvement. The framework for ICT security management is as follows:

<table>
<tr><th colspan="7">Internal</th><th colspan="2">External</th></tr>
<tr><td>Board of Directors Internal Audit Office</td><td colspan="6">Regular information security audits, with significant deficiencies reported to the Board of Directors</td><td>Information Security Professional Vendor</td><td>External Audits</td></tr>
<tr><td>Information Security Governance Committee</td><td colspan="2">Set information security policies and objectives</td><td colspan="2">Risk Management and Compliance</td><td colspan="2">Protection of Stakeholder Interests</td><td rowspan="4">.New information security threat education and training
.New information technology education and training
.Information security health inspection</td><td rowspan="4">Regular information security audits</td></tr>
<tr><td rowspan="3">Information Technology Department</td><td colspan="2">Information security Procedure and guideline</td><td colspan="2">Internal Control Procedures</td><td colspan="2">Information Security Risk and Security Assessment</td></tr>
<tr><td colspan="3">Information software and hardware asset management</td><td colspan="3">Information Security Control Management System</td></tr>
<tr><td colspan="2">Program source code Management</td><td colspan="2">Safety configuration management</td><td colspan="2">White List Program List</td></tr>
</table>

Information System User Department	Information Operations Application and Management	Daily operation exception report	Customer and Supplier Relationship Management	.Information security system suggestion .Information security vulnerability assessment	
Information Security Education and Training					
Information security organization culture and awareness					

(2) Information and Communication Technology (ICT) Security Policy

We actively strengthen information security protection, establish effective ICT security management mechanisms, prevent waste and loss of company resources, protect the company's reputation, optimize operational processes and efficiency, and ensure the best protection of the interests of the company, shareholders, employees, customers, and suppliers.

ICT security management covers the following areas to prevent various risks and damages to the company resulting from human error, intentional acts, or natural disasters, such as improper use, leakage, alteration, or destruction of data:

Scope of management include :

- Information security policy formulation and evaluation.
- Establishment and operation of information security organization.
- Classification and management of information and communication assets.
- Personnel access security management and information security education and training.
- Computer system security management.
- Network and communication operation security management.
- System access control.
- Physical and environmental security management.
- Planning and management of business continuity plans.

(3) Specific management plan for information and communication security

The company has established the "Information and Communication Technology (ICT) Security Operations Policies" to ensure the confidentiality, integrity, and availability of all assets and information, protecting them from internal and external intentional or accidental threats. Rigorous assessments of information security risks are conducted, and response measures are formulated. Specific management measures include:

- System Backup and Recovery: Important systems have real-time backup mechanisms and off-site data backup storage to ensure data security and recovery capabilities.
- Network Security: Enterprise-grade firewalls, wireless network equipment, and secure remote connection mechanisms are implemented.
- Email Control: Spam filtering and blocking systems are implemented, and periodic email phishing attack simulations are conducted to enhance employee awareness.
- Print Review: Documents printed by important departments require approval from authorized supervisors to prevent sensitive data leakage.
- Security Scanning and Virus Protection: Regular system vulnerability patching is conducted, and enterprise-level antivirus protection is enabled.
- ICT Asset Management: Strict control over software installation permissions and storage device usage to ensure only authorized software is used.
- Electronic Data Protection: Encryption systems are implemented to protect company intellectual property.
- Endpoint Security Protection: Internet access control and antivirus systems are deployed and updated regularly.
- Regular information security promotion and information security education and training sessions are conducted.

Violation of the company's ICT security policies will result in appropriate disciplinary measures or legal action, depending on the severity of the breach. Furthermore, all employees should understand that all information obtained during working hours is company property, and unauthorized use is strictly prohibited.

(4) Resources devoted to information and communications security management

To build a robust information security protection system, the company allocates three dedicated personnel to handle ICT security. Annually, over ten million dollars are invested in ICT security software, hardware facilities, and maintenance to mitigate the risks of business interruption and liabilities, demonstrating the company's maturity in information security governance.

Recognizing the importance of information security, we regularly convene risk management committees or ad-hoc ICT security project review meetings. There were over 10 such meetings held in 2023, during which ICT security project reports were presented to senior management, including the Chairman and the President.

To strengthen ICT security protection, the ICT security team regularly collects domestic and international ICT threat intelligence, conducts risk assessments and tracking, and enhances defense capabilities against external threats. In addition to regular and ad-hoc ICT security awareness campaigns, "Information Security Education and Training" is provided to new employees annually, and social engineering exercises are conducted for all employees. We also collaborate with external experts to conduct regular system information security assessments and implement improvement measures for significant and high-risk projects to ensure robust ICT security.

(5) Major information and communication security incidents: No major information and communication security incidents occurred in 2023.

As of the printing date of this annual report, there were no material information and communication security incidents

7. Major contracts

Agreement	Counterparty	Period	Main Content	Limitation Clause
Financing contract	Bank of Taiwan	2012.12.28~2027.12.28	Guaranteed Loans	None
	Bank of Taiwan	2016.12.14~2031.12.14	Guaranteed Loans	None
	Bank of Taiwan	2016.12.19~2031.12.19	Guaranteed Loans	None
	Bank of Taiwan	2019.09.18~2024.09.18	Guaranteed Loans	None
	Bank of Taiwan	2020.06.04~2027.06.04	Guaranteed Loans	None
	Bank of Taiwan	2020.10.16~2027.10.15	Medium-term loans	None
	Chang Hwa Commercial Bank	2022.06.15~2025.06.27	Guaranteed Loans	None
	Taiwan Cooperative Bank	2022.06.07~2024.12.31	Medium-term loans	None
	Taiwan Cooperative Bank	2022.06.07~2032.06.07	Guaranteed Loans	None
	Taiwan Cooperative Bank	2025.01.01~2042.12.31	Guaranteed Loans	None
Construction contract	Fu Tai Construction Co., Ltd	2022.11.30~2024.08.31	Construction of the first phase of Fengshan Plant	None
	CHYIDING TECHNOLOGIES CO., LTD	2022.12.23~2024.08.31	Electrical and mechanical works of the first phase of Fengshan Plant	None
	CHYIDING TECHNOLOGIES CO., LTD	2022.12.23~2024.08.31	Air-conditioning of the first phase of Fengshan Plant	None

VI. Financial Information

1. Condensed balance sheet and comprehensive income statement for the last five years

(1) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT$1000

Item \ Year		Financial Summary for the Last Five Years（Note 1）					As of March 31, 2024（Note 3）
		2019	2020	2021	2022	2023	
Current assets		1,806,172	1,900,648	2,416,616	2,447,869	2,239,513	—
Property, Plant and Equipment		3,379,362	3,335,545	3,229,340	3,153,905	3,510,907	—
Intangible assets		19,403	22,446	26,630	25,642	18,899	—
Other assets		205,345	194,531	222,811	236,829	389,182	—
Total assets		5,410,282	5,453,170	5,895,397	5,864,245	6,158,501	—
Current liabilities	Before distribution	978,960	921,927	1,115,902	1,027,387	1,201,568	—
	After distribution	983,676	957,512	1,235,704	1,147,189	1,213,548 (Note 2)	—
Non-current liabilities		1,024,983	970,520	925,782	726,299	932,219	—
Total liabilities	Before distribution	2,003,943	1,892,447	2,041,684	1,753,686	2,133,787	—
	After distribution	2,008,659	1,928,032	2,161,486	1,873,488	2,145,767 (Note 2)	—
Equity attributable to shareholders of the parent company		3,308,194	3,441,557	3,703,995	3,899,330	3,785,675	—
Capital stock		1,179,083	1,186,157	1,198,018	1,198,018	1,198,018	—
Capital surplus		1,578,181	1,578,181	1,578,181	1,578,181	1,578,181	—
Retained earnings	Before distribution	547,502	670,547	919,532	1,126,998	1,013,310	—
	After distribution	542,786	634,962	799,730	1,007,196	1,001,330 (Note 2)	—
Other equity interest		3,428	6,672	8,264	(3,867)	(3,834)	—
Non-controlling interest		98,145	119,166	149,718	211,229	239,039	—
Total equity	Before distribution	3,406,339	3,560,723	3,853,713	4,110,559	4,024,714	—
	After distribution	3,401,623	3,525,138	3,733,911	3,990,757	4,012,734 (Note 2)	—

Note 1: The financial information was audited and certified by the CPA.

Note 2: Amount of cash dividends resolved by the Board of Directors on February 27, 2024

Note 3: As of the printing date, the latest Consolidated Financial Report for March 31, 2024 has not been approved by the Board of Directors and not been reviewed by the CPA.

2. Individual Condensed Balance Sheet – Based on IFRS

Unit: NT$1000

Item \ Year		Financial Summary for the Last Five Years （Note 1）				
		2019	2020	2021	2022	2023
Current assets		1,522,980	1,551,385	1,924,280	1,710,137	1,601,554
Property, Plant and Equipment		3,345,578	3,304,090	3,202,356	3,131,133	3,491,705
Intangible assets		19,403	22,446	26,630	25,642	18,899
Other assets		281,238	306,255	382,218	490,163	531,425
Total assets		5,169,199	5,184,176	5,535,484	5,357,075	5,643,583
Current liabilities	Before distribution	889,915	813,363	949,944	774,342	956,621
	After distribution	894,631	848,948	1,069,746	894,144	968,601 (Note 2)
Non-current liabilities		971,090	929,256	881,545	683,403	901,287
Total liabilities	Before distribution	1,861,005	1,742,619	1,831,489	1,457,745	1,857,908
	After distribution	1,865,721	1,778,204	1,951,291	1,577,547	1,869,888 (Note 2)
Equity attributable to shareholders of the parent company		3,308,194	3,441,557	3,703,995	3,899,330	3,785,675
Capital stock		1,179,083	1,186,157	1,198,018	1,198,018	1,198,018
Capital surplus		1,578,181	1,578,181	1,578,181	1,578,181	1,578,181
Retained earnings	Before distribution	547,502	670,547	919,532	1,126,998	1,013,310
	After distribution	542,786	634,962	799,730	1,007,196	1,001,330 (Note 2)
Other equity		3,428	6,672	8,264	(3,867)	(3,834)
Total equity	Before distribution	3,308,194	3,441,557	3,703,995	3,899,330	3,785,675
	After distribution	3,303,478	3,405,972	3,584,193	3,779,528	3,773,695 (Note 2)

Note 1: The financial information was audited and certified by the CPA.

Note 2: Represents the amount of cash dividends resolved by the Board of Directors on February 27, 2024

(2) Condensed Statement of Comprehensive Income

1. Consolidated Condensed Statement of Comprehensive Income - Based on IFRS

Unit: In addition to earnings per share in NT$, the remainder is in thousands of NT$

Year / Item	Financial Summary for the Last Five Years（Note1）					As of March 31, 2024 (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	2,041,358	2,451,961	3,184,304	3,228,380	2,170,200	—
Gross profit	649,538	839,749	1,086,209	1,116,387	668,432	—
Income from operations	19,422	188,340	395,842	378,556	26,082	—
Non-operating income and expenses	25,567	(12,937)	(14,680)	92,692	17,212	—
Income before tax	44,989	175,403	381,162	471,248	43,294	—
Net income (Loss)	40,049	153,555	326,294	392,481	39,279	—
Other Comprehensive income (Income after tax)	11,541	5,545	2,281	(15,833)	(5,322)	—
Total comprehensive income	51,590	159,100	328,575	376,648	33,957	—
Net income attributable to shareholders of the parent company	34,820	135,238	297,067	326,942	5,101	—
Net income attributable to non-controlling interest	5,229	18,317	29,227	65,539	34,178	—
Comprehensive income attributable to shareholders of the parent company	41,145	138,079	298,023	315,137	6,147	—
Comprehensive income attributable to non-controlling interest	10,445	21,021	30,552	61,511	27,810	—
Earnings per share	0.32	1.13	2.48	2.73	0.04	—

Note 1:. The financial information was audited and certified by the CPA.

Note 2: As of the printing date, the latest Consolidated Financial Report for March 31, 2024 has not been approved by the Board of Directors and not been reviewed by the CPA

2. Individual Condensed Consolidated Income Statement-IFRSs

Unit: Earnings per share in NT$, the remainder is in thousands of NT$

Item \ Year	Financial Summary for the Last Five Years（Note）				
	2019	2020	2021	2022	2023
Operating revenue	1,884,711	2,227,618	2,889,408	2,767,944	1,874,134
Operating gross profit	562,181	709,759	936,335	850,246	491,190
Operating profit and loss	(9,152)	121,122	306,834	234,505	(55,464)
Non-operating income and expenses	47,625	31,715	39,229	157,522	57,579
Net profit before tax	38,473	152,837	346,063	392,027	2,115
Net profit (loss) for the current period	34,820	135,238	297,067	326,942	5,101
Other comprehensive profit or loss for the current period (net after tax)	6,325	2,841	956	(11,805)	1,046
Total comprehensive profit and loss for the current period	41,145	138,079	298,023	315,137	6,147
Earnings per share	0.32	1.13	2.48	2.73	0.04

Note: The financial information was audited and certified by the CPA .

(3) Name and audit opinion of the CPA for the past five years:

Year	Accounting Firm	CPAs	Auditor's Opinion
2019	Deloitte Taiwan	Yen, Hsiao-Fang, Chiang, Shu-Chin	Unqualified opinion
2020	Deloitte Taiwan	Tseng, Done-Yuin, Chiang, Shu-Chin	Unqualified opinion
2021	Deloitte Taiwan	Tseng, Done-Yuin, Chiang, Shu-Chin	Unqualified opinion
2022	Deloitte Taiwan	Tseng, Done-Yuin, Chiang, Shu-Chin	Unqualified opinion
2023	Deloitte Taiwan	Tseng, Done-Yuin, Yen, Hsiao-Fang	Unqualified opinion

2. Five-Year Financial Analysis

(1) International Financial Reporting Standards (IFRS) (Consolidated)

Analysis Item (Note 4) \ Year		Financial Summary for the Last Five Years (Note 1)					As of March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	37.04	34.70	34.63	29.90	34.65	—
	Ratio of long-term capital to property, plant and equipment	131.13	135.85	148.00	153.36	141.19	—
Solvency (%)	Current ratio	184.50	206.16	216.56	238.26	186.38	—
	Quick ratio	81.57	101.32	118.22	123.45	94.36	—
	Interest Earned ratio	3.70	17.68	34.08	38.44	4.31	—
Operating performance	Accounts receivable turnover ratio (times)	4.66	5.88	6.30	6.00	4.59	—
	Average collection period	78	62	58	61	80	—
	Inventory turnover ratio (times)	1.21	1.48	1.76	1.58	1.10	—
	Accounts payable turnover ratio(times)	3.18	4.48	4.68	4.52	4.50	—
	Average days in sales	302	247	207	231	332	—
	Property, plant and equipment turnover ratio (times)	0.70	0.73	0.97	1.01	0.65	—
	Total assets turnover ratio (times)	0.40	0.45	0.56	0.55	0.36	—
Profitability	Return on total assets (%)	1.05	2.98	5.91	6.85	0.83	—
	Return on stockholders' equity (%)	1.33	4.41	8.80	9.86	0.97	—
	Pre-tax income to paid-in capital (%)	3.82	14.79	31.82	39.34	3.61	—
	Profit ratio (%)	1.96	6.26	10.25	12.16	1.81	—
	Earnings per share (NT$) (Note 3)	0.32	1.13	2.48	2.73	0.04	—
Cash flow	Cash flow ratio (%)	24.97	37.25	51.03	39.90	18.41	—
	Cash flow adequacy ratio (%)	22.08	33.62	49.45	58.00	75.12	—
	Cash reinvestment ratio (%)	3.03	6.16	9.03	4.76	1.63	—
Leverage	Operating leverage	38.23	5.19	3.45	3.80	35.12	—
	Financial leverage	6.96	1.06	1.03	1.03	2.00	—

Changes in financial ratios of up to 20% in the last two years

1. The current ratio and quick ratio decreased, mainly due to an increase in short-term borrowings and long-term borrowings from bank due within one year.
2. The interest earned ratio decreased, mainly due to a decrease in pre-tax income.
3. Various indicators of operating performance decreased, mainly due to a decrease in profitability this year, with both revenue and cost of goods sold decreasing compared to the previous year.
4. Various indicators of profitability decreased, mainly due to decreases in operating profit, pre-tax net profit, and net profit compared to the previous year.
5. The cash flow ratio and cash reinvestment ratio decreased, mainly due to a decrease in cash inflows from operating activities.
6. The cash flow adequacy ratio increased, mainly due to a decrease in the inventory growth.
7. Various indicators of leverage increased, mainly due to a decrease in profitability compared to the

previous year.

Note 1: The financial informsation is audited and verified by the CPA.
Note 2: As of the publication date of this annual report, the latest consolidated financial report on March 31, 2024 has not been approved by the board of directors and not been reviewed by the CPA.
Note 3: Refers to basic earnings per share
Note 4: The calculation formula of this table is as follows:

1. Financial structure:
   (1) Debt Ratio = total liabilities/total assets
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities)/net property, plant and equipment
2. Solvency:
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets－inventory－prepaid expenses)/current liabilities
   (3) Interest Earned Ratio = net profit before income tax and interest expense/current interest expense
3. Operating performance:
   (1) Accounts receivable turnover ratio (including accounts receivable and notes receivable from operation) = net sales/average balance of receivables for each period (including accounts receivable and notes receivable from operation)
   (2) Average collection period = 365 days/receivables turnover ratio
   (3) Inventory turnover ratio = cost of goods sales/average inventory
   (4) Accounts payable turnover ratio (including accounts payable and notes payable from operation) = cost of goods sales/average balance of payables for each period (including accounts payable and bills payable due to business)
   (5) Average days in sales = 365 days/inventory turnover ratio
   (6) Property, plant and equipment turnover ratio = net sales/average net property, plant, and equipment
   (7) Total asset turnover ratio = net sales/average total assets
4. Profitability:
   (1) Return on total assets = [after-tax profit and loss + interest expense × (1-tax rate)]/Average total assets
   (2) Return on stockholders' equity = after-tax profit and loss/average total equity
   (3) Profit ratio = after-tax profit or loss/net sales
   (4) Earnings per share = (profit or loss attributable to the owners of the corporation -special dividend)/Weighted average number of shares outstanding
5. Cash Flow:
   (1) Cash Flow ratio = Net Cash Flow from operating activities/current liabilities
   (2) Cash Flow adequacy ratio = Net Cash Flow from operating activities in the last five years/the last five years (capital expenditure + inventory increase + cash dividend)
   (3) Cash reinvestment ratio = (Net Cash Flow from operating activities－cash dividends)/(Gross property, plant and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operating leverage = (net operating income－variable operating costs and expenses)/operating profit
   (2) Financial leverage = operating profit/(operating profit－interest expense)

(2) International Financial Reporting Standards (IFRS) (Individual)

Analysis Item (Note 3) / Year		Financial Summary for the Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	36.00	33.61	33.09	27.21	32.92
	Ratio of long-term capital to property, plant and equipment	127.91	132.28	143.19	146.36	134.23
Solvency (%)	Current ratio	171.14	190.74	202.57	220.85	167.42
	Quick ratio	63.46	79.74	101.02	88.84	67.59
	Interest earned ratio (times)	3.45	16.81	32.89	34.02	1.17
Operating performance	Accounts receivable turnover (times)	4.49	5.68	6.11	5.62	4.33
	Average collection period	81	64	60	65	84
	Inventory turnover ratio (times)	1.20	1.48	1.80	1.62	1.15
	Accounts payable turnover ratio(times)	3.13	4.43	4.66	4.42	4.35
	Average days in sales	303	247	203	226	318
	Property, plant and equipment turnover ratio(times)	0.65	0.67	0.89	0.87	0.57
	Total assets turnover (times)	0.39	0.43	0.54	0.51	0.34
Profitability	Return on total assets (%)	0.97	2.76	5.70	6.18	0.28
	Return on stockholders' equity (%)	1.19	4.01	8.31	8.60	0.13
	Pre-tax income to paid-in capital (%)	3.26	12.89	28.89	32.72	0.18
	Profit ratio (%)	1.85	6.07	10.28	11.81	0.27
	Earnings per share (NT$) (Note 2)	0.32	1.13	2.48	2.73	0.04
Cash flow	Cash flow ratio (%)	26.08	34.33	53.88	24.35	10.64
	Cash flow adequacy ratio (%)	17.27	28.33	44.27	46.44	58.12
	Cash reinvestment ratio (%)	2.89	5.16	8.36	1.18	(0.30)
Leverage	Operating leverage	Note 3	6.76	3.77	4.69	(12.57)
	Financial leverage	0.37	1.09	1.04	1.05	0.82

The change in financial ratios for the last two years was 20% or more:

1. The current ratio and quick ratio decreased, mainly due to an increase in short-term borrowings and long-term borrowings from bank due within one year.
2. The interest earned ratio decreased, mainly due to a decrease in pre-tax income.
3. Various indicators of operating performance decreased, mainly due to a decrease in profitability this year, with both revenue and cost of goods sold decreasing compared to the previous year.
4. Various indicators of profitability decreased, mainly due to decreases in operating profit, pre-tax net profit, and net profit compared to the previous year.
5. The cash flow ratio and cash reinvestment ratio decreased, mainly due to a decrease in cash inflows from operating activities.
6. The cash flow adequacy ratio increased, mainly due to a decrease in in inventory growth.
7. Various indicators of leverage increased, mainly due to a decrease in profitability

compared to the previous year.

Note 1: The financial information was audited and certified by the CPA.
Note 2: Represents basic earnings per share
Note 3: The calculation formula of this table is as follows:

1. Financial structure:
   (1) Debt Ratio = total liabilities/total assets
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities)/net property, plant and equipment
2. Solvency:
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets－inventory－prepaid expenses)/current liabilities
   (3) Interest Earned Ratio = net profit before income tax and interest expense/current interest expense
3. Operating performance:
   (1) Accounts receivable turnover ratio (including accounts receivable and notes receivable from operation) = net sales/average balance of receivables for each period (including accounts receivable and notes receivable from operation)
   (2) Average collection period = 365 days/receivables turnover ratio
   (3) Inventory turnover ratio = cost of goods sales/average inventory
   (4) Accounts payable turnover ratio (including accounts payable and notes payable from operation) = cost of goods sales/average balance of payables for each period (including accounts payable and bills payable due to business)
   (5) Average days in sales = 365 days/inventory turnover ratio
   (6) Property, plant and equipment turnover ratio = net sales/average net property, plant, and equipment
   (7) Total asset turnover ratio = net sales/average total assets
4. Profitability:
   (1) Return on total assets = [after-tax profit and loss + interest expense × (1-tax rate)]/Average total assets
   (2) Return on stockholders' equity = after-tax profit and loss/average total equity
   (3) Profit ratio = after-tax profit or loss/net sales
   (4) Earnings per share = (profit or loss attributable to the owners of the corporation -special dividend)/Weighted average number of shares outstanding
5. Cash Flow:
   (1) Cash Flow ratio = Net Cash Flow from operating activities/current liabilities
   (2) Cash Flow adequacy ratio = Net Cash Flow from operating activities in the last five years/the last five years (capital expenditure + inventory increase + cash dividend)
   (3) Cash reinvestment ratio = (Net Cash Flow from operating activities－cash dividends)/(Gross property, plant and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operating leverage = (net operating income－variable operating costs and expenses)/operating profit
   (2) Financial leverage = operating profit/(operating profit－interest expense)

3. Audit Committee's Report in the most recent year:

HIWIN MIKROSYSTEM CORP.
Audit Committee's Review Report

The Board of Directors has issued the Company's 2023 business report, financial statements and proposal for appropriation of earnings, among which the financial statements have been audited by Deloitte Taiwan and an audit report has been issued. The Audit Committee has reviewed the above-mentioned business report, financial statements and proposal for appropriation of earnings and concluded that they are not inconsistent and are in compliance with the relevant provisions of the Securities and Exchange Act and the Company Act.

Very truly yours

HIWIN MIKROSYSTEM CORP.
Audit Committee Convener: Chen Chung-jen

February 27, 2024

4. Annual financial report and auditor's report in the most recent year:

Please refer to Appendix 1.

5. The Company's individual financial report audited by CPAs in the most recent year:

Please refer to Appendix 2.

6. Financial difficulties encountered by the Company and its affiliates as well as impact on financial status in the most recent year and as of the date of publication: None

VII. Review and analysis of financial status, financial performance, and risk issues

1. Financial Status

(1) Analysis of Financial Status

Unit: NT$1,000

Item \ Year	2022	2023	Variance	
			Amount	%
Current Assets	2,447,869	2,239,513	(208,356)	(8.51)
Property, plant and equipment	3,153,905	3,510,907	357,002	11.32
Intangible Assets	25,642	18,899	(6,743)	(26.30)
Other Assets	236,829	389,182	152,353	64.33
Total Assets	5,864,245	6,158,501	294,256	5.02
Current liabilities	1,027,387	1,201,568	174,181	16.95
Non-current liabilities	726,299	932,219	205,920	28.35
Total liabilities	1,753,686	2,133,787	380,101	21.67
Capital	1,198,018	1,198,018	-	-
Capital surplus	1,578,181	1,578,181	-	-
Retained earnings	1,126,998	1,013,310	(113,688)	(10.09)
Other equity	(3,867)	(3,834)	33	(0.85)
Non-controlling equity	211,229	239,039	27,810	13.17
Total equity	4,110,559	4,024,714	(85,845)	2.09

(2) Analysis of changes in the percentage of increase or decrease over 20%

1. The decrease in intangible assets is mainly due to the new acquisitions during the period being less than the amount amortized.
2. The increase in other assets is mainly due to the addition of four-year US dollar fixed deposits by subsidiaries.
3. The increase in non-current liabilities and total liabilities is mainly due to the increase in long-term borrowings from bank.

2. Financial Performance

(1) Comparative analysis of operating results

Unit: NT$1000

Year / Item	2022	2023	Variance	
			Amount	%
Operating Revenue	3,228,380	2,170,200	(1,058,180)	-32.78
Operating Costs	2,111,993	1,501,768	(610,225)	-28.89
Gross profit	1,116,387	668,432	(447,955)	-40.13
Operating Expenses	737,831	642,350	(95,481)	-12.94
Net profit	378,556	26,082	(352,474)	-93.11
Non-operating income and expenses	92,692	17,212	(75,480)	-81.43
Income before tax	471,248	43,294	(427,954)	-90.81
Net profit for the year	392,481	39,279	(353,202)	-89.99
Other comprehensive income or loss	(15,833)	(5,322)	10,511	66.39
Total consolidated profit or loss for the year	376,648	33,957	(342,691)	-90.98

(2) Analysis of changes in the percentage of increase or decrease over 20%

1. The decrease in operating revenue and operating costs is mainly due to the impact of global inflation, escalating geopolitical risks, and rising costs in the global supply chain, resulting in weak demand of the markets from semiconductor sector to end-applications.
2. The decrease in gross profit and net profit is mainly due to a 33% decrease in revenue and a 4% decrease in gross margin.
3. The increase in non-operating income and expenses is due to a decrease in foreign exchange gains.
4. The decrease in pre-tax profit, net profit, and total comprehensive income for the year is due to a decrease in demand from the industry, leading to a decrease in sales volume and operational decline.
5. The increase in other comprehensive income is due to an increase in unrealized gains from investments in equity instrument measured at fair value through other comprehensive income.

(3) Expected sales volume and basis, potential impact on the Company's future financial operations and response plan:

Please refer to the "Report to Shareholders".

3. Cash Flow

(1) Liquidity analysis for the last two years

Year / Item	2022	2023	Increase (Decrease ratio (%)
Cash Flow Ratio (%)	39.90	18.41	(53.86)
Cash Flow Allowance Ratio (%)	58.00	75.12	29.52
Cash Reinvestment Ratio (%)	4.76	1.63	(65.76)
Analysis of increase or decrease by more than 20%: The decrease in cash flow ratio and cash reinvestment ratio were mainly due to the decrease in net cash inflow from operating activities.			

The increase in cash adequacy ratio is primarily due to a decrease in the inventory growth.

(2) Improvement plans for lack of liquidity: The Company has no issues with insufficient liquidity.

(3) Cash flow analysis for the coming year: The Company expects that cash on hand and cash inflow from operating activities in the coming year should be able to cover the expenses of investing and fundraising activities.

4. The impact of significant capital expenditures on financial operations in the most recent year:

(1) Utilization and Funding Sources of Significant Capital Expenditures

Project	Actual or Expected Funding Sources	Actual or Expected Completion Date	Total Funding Required for 2023 and 2024	Actual Funding Utilization in 2023 and Planned Funding Utilization in 2024	
Construction of Plant	Internal Funds, Financing	2024.12	909,288	291,018	618,270
Expansion of Production Equipment	Internal Funds, Financing	2024.12	77,895	27,895	50,000

(2) Expected Benefits Expected: Capital expenditures are primarily aimed at new product development and capacity expansion to support future operational growth. Simultaneously, process optimization will be conducted to continually enhance quality, improve delivery flexibility, and optimize cost competitiveness.

5. Investment policy in the most recent year, Main causes of profits or losses, Improvement plans and investment plans for the coming year

(1) Reinvestment policy:

The Company's reinvestment policy takes into account sustainable management and operational growth. The "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" established by competent authorities provide "Procedures for the Acquisition or Disposal of Assets" as the basis for the Company's reinvestment business. The Company has also established the "Supervision and Management of Subsidiaries" as part of its internal control system to enhance the supervision and management of its investee companies, which focuses on information and financial status. This internal control system is also used for the disclosure of information, finance, operations, inventories, and financial management of the Company's reinvestment business to maximize its effectiveness.

(2) Main reasons for profit or loss behind reinvestment in the most recent year and improvement plans:

Unit: NT$1000

Investee company	Main business	Investment income (loss)		Main reasons for profit or loss	Improvement plan
		2022	2023		
Mega-Fabs Motion Systems Ltd.	Development and production of drives and controllers	98,308	51,267	Development and sales of nano and submicron control systems to several world-class	-

				semiconductor equipment suppliers, with good operating conditions	

(3) Investment plans for the coming year: Subject to operational conditions.

6. Risk Analysis

Risk analysis of the following was conducted in the most recent year and up to the date of printing of the annual report:

(1) Impact of interest rates, exchange rate changes and inflation on the Company's profit and loss, and future response measures

1. Interest rates

As of the printing date of the annual report, the Company's short-term loan were contractually available for drawdown over the contract period, enhancing financial flexibility. The Company regularly assessed bank borrowing rates and market rates with the aim of improving financial balances and reducing the risk of interest rate fluctuations. As the financial structure strengthens, the Company negotiates with banks for more favorable financing terms. Therefore, the changes in interest rates on the Company is not significant.

2. Exchange rates

The Company's 2023 foreign currency revenue generated was mainly in US dollars, followed Euro and Renminbi, while major purchases of raw materials and equipment were made in the three currencies. The Company has been implementing the Foreign Exchange Risk Management Policy of "Asset and Liability Management" for many years and also uses forward foreign exchange contracts, reducing the foreign exchange rate risk. Facing exchange rate fluctuations, we actively collected exchange rate changes information, promptly adjusted strategies and maintained a good relationship with banks to avoid exchange rate risks.

3. Inflation:

According to data from the Directorate General of Budget, Accounting and Statistics (DGBAS), the CPI’s annual growth rate in Taiwan for 2023 was 2.5% and the forecast for 2024 is 1.64%, and the inflation risk assessment was within the manageable range. The Company controlled various costs through raw material inventory management, optimization of procurement strategies, and process innovation, enhancing profitability through appropriate price increases, in response to changes in the environment and to reduce the impact of inflation on the Company.

(2) The policy of engaging in high-risk, highly leveraged investments, lending funds to others, endorsing guarantees and derivative transactions, the main reasons for profits or losses and future measures to address them:

The Company adopts a cautious policy regarding high-risk investments and other financial activities to ensure stable operations and financial health:

1. High-Risk Investments: The company does not engage in any high-risk or highly leveraged investment transactions, adhering to the principle of prudent management to avoid unnecessary risks.
2. Lending Activities: As of the publication date of the annual report, we have not engaged in lending activities. If such transactions are considered in the future, they will strictly adhere to the Company's established "Procedure for Lending Funds to Others" to ensure manageable risk.
3. Endorsements and Guarantees: When providing endorsements and guarantees, we strictly follow the "Procedure for Endorsements and Guarantees" and require approval from the Board of Directors. As of the end of 2023, the balance of endorsements and guarantees was NT$489,000,000, demonstrating strict control over our activities in this regard.
4. Derivative Financial Instruments: The Company's involvement in derivative financial

instrument transactions is primarily for risk management purposes, aiming to mitigate risks associated with real exchange rate fluctuations through hedging strategies. We do not engage in speculative trading to ensure that our trading activities align with the overall risk management strategy of the company.

Through aforementioned measures, the Company is committed to maintaining stable financial conditions and risk levels, ensuring long-term stable growth of the enterprise.

(3) Future R&D plans and estimated R&D expenditure:

Looking ahead to 2024, the global economy continued its weakness in the second half of 2023, and in 2024, it continued to face geopolitical, financial volatility, and climate anomalies. As Taiwan's semiconductor industry plays a crucial role in electronic component production and exports, the economy has slowed down and faced recession, making the timing of recovery more difficult to pinpoint. Additionally, the frequency and magnitude of climate anomalies are increasing annually, further affecting global economic performance. During this period, rising interest rates and inflation have pushed up corporate raw material costs and wages. Hence, smart automation and digitization have become urgent priorities for businesses. Technological advances significantly helped and changed the way businesses and people work, with distance no longer a hindrance. Whether artificial intelligence, 5G technology or the future 6G and low-orbit satellite technologies has redefined the future field of autonomous driving, digital health, digital money, high performance computing (HPC) and response strategies to climate change.

The global demand for digital transformation, intelligent automation and electric vehicles continues to be driven by strong demand for semiconductors. China's own semiconductor technology, new generation of Mini and Micro LED display technology, automation, tool, and other industrial upgrades require higher standards of integration and energy conservation and carbon reduction for intelligent high-speed, high-precision drive control, modules, and various motors. The HIWIN MIKROSYSTEM team is prepared to face the challenges with a positive attitude and aims to provide the best solutions for its customers - from components to systems. We are grateful to all shareholders, financial institutions and the government for their long-term support and recognition. We will continue to grow steadily by implementing our long-term development strategy.

1. Future Research and Development Plan:

Three main research areas:

(a) In response to the increasing demand for intelligent manufacturing automation in Industry 4.0, the Company will continue to invest in the research and development of key components and systems for high efficiency, high power, intelligent drive, and high precision positioning:

A. Industrial communication MECHATROLINK III drive series development and certification

B. Absolute-type direct drive motor series

C. Development of energy-saving linear motors

(b) In order to meet the needs of the domestic and overseas tooling industry for technological upgrade and energy conservation and carbon reduction, and to raise the standards for 5-axis and composite machining to be on par with German technology, the Company continues to invest in the development of key technologies with high thrust and high torque features:

A. Energy-saving and carbon-reducing high-thrust linear motor

B. Water-cooled torque motor with higher torque range

(c) In response to the trend of thin and light consumer electronics products and the strong demand for automotive electronics, the semiconductor industry will continue to develop high-speed, ultra-precision motors and positioning platforms:

A. High dynamic performance semiconductor positioning platform

B. Development of high-precision wedge-type positioning platform

2. Estimated R&D expenditure:

The Company will continue to invest in research and development in FY2024 and expects to invest a total of NT$287,313,000 in R&D. The direction of research and development will be towards smart manufacturing, Industry 4.0, and sustainability trends such as environmental protection, green energy, energy conservation, and carbon reduction to meet customer needs while continuing to innovate, pursue process integration and internal process reengineering, reduce production costs, and shorten delivery time to gain a competitive edge.

(4) The impact of significant domestic and international policy and legal changes on the Company's financial operations and response measures:

The Company conducts its operations in accordance with relevant domestic and international laws and regulations. It closely monitors trends in domestic and international policies and regulatory changes to stay abreast of developments in the market environment and to propose timely and proactive measures in response to ensure stable growth for the Company. As of the publication date of the annual report, major international or domestic policies and legal changes have not yet significantly affected the Company's finances and operations.

(5) The impact of technological changes (including information security risks) and industry changes on the Company's financial operations and measures to address them:

The Company adopts proactive information security management strategies, establishing comprehensive network and computer-related information security measures. It follows regulatory guidance and continuously reviews and evaluates the Company's information security regulations and procedures to ensure their compliance and effectiveness in accordance with legal requirements. Simultaneously, the Company continually assesses the appropriateness of its information security strategy, updating relevant hardware and software, strengthening network detection and computer usage control mechanisms, and strictly implementing information security risk management. In the post-pandemic era, as countries gradually lift border restrictions and factors such as the US-China trade war, the Russia-Ukraine conflict, the Israeli-Palestinian conflict, and global inflation impact industries, common problems such as supply chain disruptions, labor shortages, raw material and wage increases, and slower-than-expected economic recovery have emerged. To address such risks, industries must adapt production methods (i.e., materials and processes). The Company monitors technological developments in its operating industries, swiftly grasping industry dynamics, continuously enhancing its in-house research and development capabilities to meet diverse industry needs. The Company continues to innovate and actively invests in the development of environmentally friendly and energy-efficient electrical and mechanical components to meet technological and industrial changes.

(6) Impact of change in corporate image on corporate risk management and measures to address it:

Since its establishment, the Company has focused on its business operations, complied with relevant laws and regulations, actively strengthened the integration and management of all potential strategic, operational, financial and hazard risks that may affect its operations and profitability, while maintaining harmonious labor relations and good corporate image. Up to the date of printing of the annual report, the Company has never faced any incidents that could damage its corporate image or trigger a crisis.

(7) Expected benefits, possible risks and responses to mergers and acquisitions:

The Company has not made any merger or acquisition in the recent year and up to the publication date of the annual report.

(8) Expected benefits, possible risks, and contingency measures for plant expansion:

1. Expected benefits:

For the situation of the expansion of the plant, please refer to the explanation provided in Part 7, Section 4 of this year's report.

2. Possible Risks and Response Measures:

The Company is expanding new plants to meet growing operational demand. If the market is affected by a fluctuating industrial climate, the Company may face the risk of low-capacity utilization and higher fixed cost per unit. The Company would reduce the risk of underutilization of capacity by automation production and management, cultivating R&D and manufacturing talents, improving processes, reducing working hours to increase production efficiency, and by leveraging its technological strengths to expand markets. The Company's management team has industry experience and expertise as well as requirements to fully utilize additional production capacity, thereby reducing operational risk.

(9) Risks associated with the concentration of imports or sales and measures to be taken:

1. Risks associated with the concentration of imports and contingency measures

The Company is a professional enterprise engaged in research & development and manufacturing of linear motion and control components, using a wide range of raw materials, mainly electronic materials such as ICs, optical components, and magnets. To manage supplier concentration risk, maintain flexible pricing and ensure a stable source of materials, the Company maintains at least two suppliers for its main raw materials and establishes a good cooperative relationship with them. It also has available qualified alternative suppliers in the event of a shortage of materials. The Company has no supplier that accounts for more than 10% of its purchases in 2022 and 2023, so there is no risk of supplier concentration.

2. Risk of concentration of sales and response measures

The Company adopts the same distribution system as its counterparts to sell products globally. To effectively promote its products, distributors need to have a strong professional base and ability to provide after-sales service. In addition to reducing time and cost of marketing activities and enhancing customer management, the distribution model allows the H Group to promote the Company's products and provide customers with integrated solutions for electrical and mechanical applications. As a result, the long-standing co-branding strategy has been mutually beneficial and reinforcing, resulting in sales concentration in H Group.

The Company is actively integrating its global distributors and continues to diversify its order sources by developing new customer segments and emerging markets (i.e., Asia, Central and South America) to avoid over-concentration of sales to H Group. H Group's net sales represented 31% of annual net sales in both 2022 and 2023.

(10) Impact of significant transfer or replacement of shareholdings of Directors or substantial shareholders with more than 10% shares on the Company, as well as risks, and contingencies: The transfer of shareholdings of Company directors or substantial shareholders with more than 10% of shares are reported in accordance with relevant regulations enforced by competent authorities. As of the publication date of the annual report, there has been no significant transfer or replacement of shareholdings that has affected the operations of the Company.

(11) Impact of changes in operating rights on the Company, as well as risks, and contingency measures: None

(12) For litigation or non-litigation events, the Company and its directors, supervisors, presidents, materially responsible persons, substantial shareholders with more than 10% of shares, and subsidiaries should disclose any material litigation, non-litigation or administrative disputes that have been determined or are still pending; the outcome of which may have a significant impact on shareholders' equity or security price. The facts, the subject amount, the date of commencement of litigation, the principal parties involved and the disposition of the matter as at the date of printing of the annual report: None

(13) Other significant risks and contingencies: None

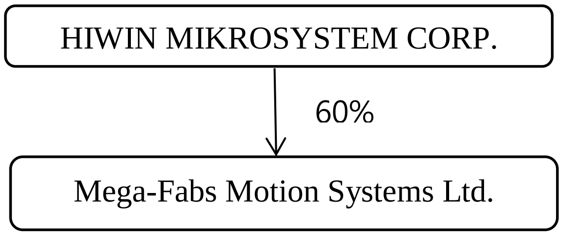
7. Other important matters: None

VIII. Special Disclosure

1. Information on Affiliated Companies

(1)Organizational Chart of Affiliates

Date: March 31, 2024



(2) Information of each affiliate

Company Name	Establishment Date	Address	Paid-in Capital (Note)	Main Business or production items
Mega-Fabs Motion Systems Ltd.	1999.11.29	6 Hayozma St. Industrial Park, P.O. Box 540, Yokneam 2069206, Israel	NIS 60,000	Research and development, production and sales of drives and controllers

Note: Paid-in Capital base date is on March 31, 2024 and is denominated in Israeli NIS "Shekel".

(3) Information on the same shareholders who are presumed to be in a controlling and subordinate relationship: None

(4) Industries covered by the overall business of the Company's affiliates

HIWIN MIKROSYSTEM and its affiliates operate in industries that focus on transmission control and system technology, supporting each other through technology development, services, and sales to create maximum and mutual benefit.

(5) Information of directors, supervisors, and presidents of each affiliated enterprise

Unit: Share ; %

Company Name	Title	Name or Representative	Shares	Holding %
Mega-Fabs Motion Systems Ltd.	Chairman	Si Guoyi	-	-
	Director	You Kaisheng	-	-
	Director	Ben-Dov Shimshon	-	-
	President	Ben-Dov Shimshon	-	-

Note: Information as of March 31, 2024

(6) Operational highlights of each affiliated company

Unit: NT$1000

Company Name	Paid-in capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Profit and loss	Earnings per share (NT$)
Mega-Fabs Motion Systems Ltd.	497	884,349	278,944	605,405	328,905	81,979	85,878	143.13

Note 1: The base date of the financial information of the affiliated company's operational highlights is December 31, 2023.

Note 2: The relevant figures of related companies are presented in New Taiwan as of the reporting date, and the exchange rates are as follows:

	Final Exchange Rate	Average Exchange Rate
Israeli New Shekels (ILS)$1:	NT$8.4657	NT$8.4552

(7) Consolidated financial reports of affiliated companies

Please refer to Appendix 1

(8) Relationship report: Not applicable

2. Private placements in the most recent year and as of the date of publication of the annual report: None

3. Subsidiaries shares held or disposed in the most recent year and as of the date of publication of the annual report: None

4. Other necessary supplementary information: None

5. Any event with significant impact on shareholders' equity or security price in the most recent year and as of the date of publication of the annual report, according to Article 36.3.2 of the Securities and Exchange Act: None

【Appendix 1】Consolidated financial report and auditors’ report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the Taiwan Stock Exchange (TWSE) “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are identical to the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prescribed in International Financial Reporting Standard (IFRS) 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, no separate set of consolidated financial statements of affiliates was prepared.

Very truly yours,

HIWIN MIKROSYSTEM CORPORATION

By:

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Chuo, Shou-Yeu
Chairperson

February 27, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Mikrosystem Corporation

Opinion

We have audited the accompanying consolidated financial statements of Hiwin Mikrosystem Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is described as follows:

Valuation and Impairment Assessment of Inventory

As of December 31, 2023, the carrying amount of inventory was $1,056,306 thousand, accounting for 17% of consolidated total assets and is material to the consolidated financial statements. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which is subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy and material accounting estimation on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 11 to the consolidated financial statements.

Our key audit procedures performed with respect to the valuation and impairment assessment included the following:

1. We obtained an understanding of and assessed the related internal controls, procedures and policy on the valuation of inventory.

2. We assessed the reason ableness of allowance for impairment of inventory by reference to the aging of inventories and the level of inventory consumed and sold.

3. We tested the net realizable value of sample inventory items, and checked the accuracy of the net realizable value.

4. We compared the net realizable value of sample inventory items with the carrying amount and confirmed that the carrying amount of inventory did not exceed its net realizable value.

5. We evaluated the adequacy of provision for obsolete, sluggish, and damaged inventories during our observation of inventory counts.

Other Matter

We have also audited the parent corporation only financial statements of Hiwin Mikrosystem Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 405,473	6	$ 747,049	13
Financial assets at amortized cost - current (Notes 4 and 9)	240,702	4	-	-
Notes receivable, net (Notes 4, 10 and 26)	3,150	-	7,059	-
Trade receivables from unrelated parties, net (Notes 4, 10)	313,186	5	213,324	4
Trade receivables from related parties, net (Notes 4, 10 and 26)	127,186	2	282,006	5
Other receivables (Notes 4 and 26)	43,208	1	17,481	-
Inventories (Notes 4, 5 and 11)	1,056,306	17	1,149,422	20
Other current assets (Note 26)	50,302	1	31,528	-
Total current assets	2,239,513	36	2,447,869	42
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	34,352	1	26,678	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	154,474	3	953	-
Property, plant and equipment (Notes 4, 13, 26 and 27)	3,510,907	57	3,153,905	54
Right-of-use assets (Notes 4 and 14)	47,364	1	49,622	1
Intangible assets (Notes 4, 15 and 26)	18,899	-	25,642	-
Goodwill (Note 4)	49,218	1	49,218	1
Deferred tax assets (Notes 4 and 21)	83,509	1	61,780	1
Prepayments for machinery and equipment (Note 26)	16,584	-	44,553	1
Refundable deposits (Note 4)	3,681	-	4,025	-
Total non-current assets	3,918,988	64	3,416,376	58
TOTAL	$ 6,158,501	100	$ 5,864,245	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 100,000	2	$ 80,000	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	763	-
Contract liabilities (Note 4)	23,913	-	17,275	-
Notes payable	1,117	-	1,305	-
Trade payables (Note 26)	297,489	5	366,982	6
Other payables (Notes 17 and 26)	607,095	10	447,963	8
Current tax liabilities (Notes 4 and 21)	10,498	-	22,542	1
Lease liabilities - current (Notes 4 and 14)	-	-	1,184	-
Current portion of long-term loans (Notes 16 and 27)	143,184	3	87,081	2
Other current liabilities (Note 4)	18,272	-	2,292	-
Total current liabilities	1,201,568	20	1,027,387	18
NON-CURRENT LIABILITIES				
Long-term loans (Notes 16 and 27)	818,461	13	607,346	10
Deferred tax liabilities (Notes 4 and 21)	69,244	1	61,094	1
Lease liabilities - non-current (Notes 4 and 14)	30,932	1	42,896	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	9,886	-	11,716	-
Other non-current liabilities (Note 26)	3,696	-	3,247	-
Total non-current liabilities	932,219	15	726,299	12
Total liabilities	2,133,787	35	1,753,686	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	1,198,018	19	1,198,018	20
Capital surplus	1,578,181	26	1,578,181	27
Retained earnings				
Legal capital reserve	156,748	2	124,021	2
Special capital reserve	3,867	-	-	-
Unappropriated earnings	852,695	14	1,002,977	17
Other equity	(3,834)	-	(3,867)	-
Total equity attributable to owners of the Corporation	3,785,675	61	3,899,330	66
NON-CONTROLLING INTERESTS	239,039	4	211,229	4
Total equity	4,024,714	65	4,110,559	70
TOTAL	$ 6,158,501	100	$ 5,864,245	100

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4 and 26)	$ 2,170,200	100	$ 3,228,380	100
COST OF GOODS SOLD (Notes 11, 20 and 26)	1,501,768	69	2,111,993	65
GROSS PROFIT	668,432	31	1,116,387	35
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	136,630	6	149,909	5
General and administrative expenses	225,422	11	276,500	8
Research and development expenses	280,298	13	311,422	10
Total operating expenses	642,350	30	737,831	23
INCOME FROM OPERATIONS	26,082	1	378,556	12
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	1,311	-	4,701	-
Finance costs (Notes 4 and 20)	(13,072)	(1)	(12,588)	-
Interest income (Note 4)	4,107	-	1,166	-
Other income (Note 26)	31,972	2	38,355	1
Net foreign exchange gain (Notes 4 and 29)	10,600	1	77,202	2
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss	699	-	(1,081)	-
Other expenses (Notes 20 and 26)	(18,405)	(1)	(15,063)	-
Total non-operating income and expenses	17,212	1	92,692	3
INCOME BEFORE INCOME TAX	43,294	2	471,248	15
INCOME TAX EXPENSE (Notes 4 and 21)	4,015	-	78,767	3
NET INCOME FOR THE YEAR	39,279	2	392,481	12
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	1,266	-	408	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	7,674	1	(7,297)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	(253)	-	(82)	-
	8,687	1	(6,971)	-

(Continued)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (15,919)	(1)	$ (10,070)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	1,910	-	1,208	-
	(14,009)	(1)	(8,862)	-
Other comprehensive income (loss), net of income tax	(5,322)	-	(15,833)	-
TOTAL COMPREHENSIVE INCOME	$ 33,957	2	$ 376,648	12
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 5,101	-	$ 326,942	10
Non-controlling interests	34,178	2	65,539	2
	$ 39,279	2	$ 392,481	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 6,147	1	$ 315,137	10
Non-controlling interests	27,810	1	61,511	2
	$ 33,957	2	$ 376,648	12
EARNINGS PER SHARE (Note 22)				
Basic	$ 0.04		$ 2.73	
Diluted	$ 0.04		$ 2.72	

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Note 19)										
		Capital Surplus		Retained Earnings			Other Equity				
	Ordinary Shares	Issuance of Shares	Employee Share Options	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2022	$ 1,198,018	$ 1,576,813	$ 1,368	$ 94,378	$ -	$ 825,154	$ 8,264	$ -	$ 3,703,995	$ 149,718	$ 3,853,713
Appropriation of 2021 earnings											
Legal capital reserve	-	-	-	29,643	-	(29,643)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(119,802)	-	-	(119,802)	-	(119,802)
	-	-	-	29,643	-	(149,445)	-	-	(119,802)	-	(119,802)
Net profit for the year ended December 31, 2022	-	-	-	-	-	326,942	-	-	326,942	65,539	392,481
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	326	(4,834)	(7,297)	(11,805)	(4,028)	(15,833)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	327,268	(4,834)	(7,297)	315,137	61,511	376,648
BALANCE, DECEMBER 31, 2022	1,198,018	1,576,813	1,368	124,021	-	1,002,977	3,430	(7,297)	3,899,330	211,229	4,110,559
Appropriation of 2022 earnings											
Legal capital reserve	-	-	-	32,727	-	(32,727)	-	-	-	-	-
Special capital reserve	-	-	-	-	3,867	(3,867)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(119,802)	-	-	(119,802)	-	(119,802)
	-	-	-	32,727	3,867	(156,396)	-	-	(119,802)	-	(119,802)
Net profit for the year ended December 31, 2023	-	-	-	-	-	5,101	-	-	5,101	34,178	39,279
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	1,013	(7,641)	7,674	1,046	(6,368)	(5,322)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	6,114	(7,641)	7,674	6,147	27,810	33,957
BALANCE, DECEMBER 31, 2023	$ 1,198,018	$ 1,576,813	$ 1,368	$ 156,748	$ 3,867	$ 852,695	$ (4,211)	$ 377	$ 3,785,675	$ 239,039	$ 4,024,714

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

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 43,294	$ 471,248
Adjustments for:		
Depreciation expenses	171,899	167,148
Amortization expenses	9,584	10,816
Expected credit loss recognized (reversed) on trade receivables	-	(113)
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	-	763
Finance costs	13,072	12,588
Interest income	(4,107)	(1,166)
Dividend income	(804)	(617)
Loss on disposal of property, plant and equipment	110	582
Write-down of inventories	26,668	23,488
Unrealized foreign currency exchange loss (gain), net	7,492	(6,740)
Others	(612)	78
Changes in operating assets and liabilities		
Financial liabilities mandatorily classified as at fair value through profit or loss	(763)	-
Notes receivable	3,909	3,568
Trade receivables	44,897	73,744
Other receivables	(25,727)	(2,355)
Inventories	53,612	(126,821)
Other current assets	(18,814)	2,894
Contract liabilities	6,638	(18,169)
Notes payable	(177)	(3,446)
Trade payables	(67,614)	(194,509)
Other payables	(21,718)	104,509
Other current liabilities	15,980	(5,103)
Net defined benefit liabilities	(564)	(778)
Cash generated from operations	256,255	511,609
Interest received	4,107	1,166
Dividends received	804	617
Interest paid	(11,557)	(11,216)
Income taxes paid	(28,394)	(92,261)
Net cash generated from operating activities	221,215	409,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(33,975)
Purchase of financial assets at amortized cost	(393,739)	-
Payments for property, plant and equipment	(298,736)	(49,596)
Proceeds from disposal of property, plant and equipment	985	645
Decrease (increase) in refundable deposits	344	(3,141)

(Continued)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
Payments for intangible assets	$ (2,841)	$ (9,828)
Increase in prepayments for machinery and equipment	(1,284)	(10,542)
Net cash used in investing activities	(695,271)	(106,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term loans	20,000	80,000
Proceeds from long-term loans	365,440	45,000
Repayments of long-term loans	(97,981)	(282,704)
Proceeds from guarantee deposits received	-	1,022
Repayment of the principal portion of lease liabilities	(18,973)	-
Dividends paid	(119,802)	(119,802)
Net cash generated from (used in) financing activities	148,684	(276,484)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(16,204)	(9,769)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(341,576)	17,225
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	747,049	729,824
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 405,473	$ 747,049

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Hiwin Mikrosystem Corporation (the "Corporation") was incorporated on April 1, 1997. It manufactures, repairs and sells a variety of motors, drives and automation systems.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TWSE) since September 4, 2019.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on February 27, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

See Note 12 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Group's foreign operations (including the subsidiaries in other countries that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Corporation and non-controlling interests as appropriate.

f. Inventories

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

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Goodwill

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

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

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

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

i. Intangible assets

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

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such financial asset, except for:

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

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities which are stated at fair value and any gains or losses on such financial liabilities are recognized in other gains or losses, all the financial liabilities are measured at amortized cost using the effective interest method:

Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Provision

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

Provisions for the expected cost of warranty obligations with sale contracts are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group’s obligation.

m. Revenue recognition

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

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

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

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

n. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. Borrowing costs

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

p. Government grants

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

Government grants related to income are recognized in subsidy revenue on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

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

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

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

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

s. Taxation

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

1) Current tax

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

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is possible that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When the Group develops material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31 2023	December 31 2022
Cash on hand	$ 1,112	$ 1,468
Checking accounts and demand deposits	404,361	730,226
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	-	15,355
	$ 405,473	$ 747,049
Rate of interest per annum (%)		
Cash in bank	0.001-4.80	0.001-4.00
Time deposits (investments with original maturities of 3 months or less)	-	4.33-4.35

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting was as follow:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2022			
Sell	JPY/NTD	2023.3.10-2023.6.12	JPY82,950/NTD18,408

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

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

	December 31 2023	December 31 2022
Name of Investee Company		
Domestic listed ordinary shares		
Hiwin Technologies Corporation (Hiwin Technologies)	$ 34,352	$ 26,678

The investment in equity instrument is held for medium to long-term strategic purposes. Accordingly, the management elected to designate the investment in equity instrument as at FVTOCI as they believe that recognizing short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
Current		
Time deposits with original maturities of more than 3 months (a)	$ 240,702	$ -
Non-current		
Time deposits with original maturities of more than 3 months (a)	$ 153,526	$ -
Government bonds (b)	948	953
	$ 154,474	$ 953

a. The interest rate for time deposits with original maturities of longer than 3 months was 4.40% - 6.40% per annum as of December 31, 2023.

b. On March 13, 2019, the Corporation bought government bonds at face value of $900 thousand with a coupon rate of 1.625%, an effective interest rate of 0.95% and maturity in March 2032 that was pledged as investment deposit for the Central Taiwan Science Park as of December 31, 2022.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2023	2022
Notes receivable		
At amortized cost		
Gross carrying amount	$ 3,150	$ 7,059
Less: Allowance for impairment loss	-	-
	$ 3,150	$ 7,059
Trade receivables		
At amortized cost		
Gross carrying amount	$ 440,372	$ 495,330
Less: Allowance for impairment loss	-	-
	$ 440,372	$ 495,330

a. Notes receivable

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

	December 31	
	2023	2022
Not past due	$ 3,150	$ 7,059
Past due	-	-
	$ 3,150	$ 7,059

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

b. Trade receivables

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated by reference to the past default records of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as industry outlooks. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. The recoveries made are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
December 31, 2023					
Gross carrying amount	$ 417,995	$ 22,377	$ -	$ -	$ 440,372
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 417,995	$ 22,377	$ -	$ -	$ 440,372
December 31, 2022					
Gross carrying amount	$ 484,663	$ 10,604	$ 63	$ -	$ 495,330
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 484,663	$ 10,604	$ 63	$ -	$ 495,330

The movements of the loss allowance were as follows:

	For the Year Ended December 31,2023	
	Notes Receivable	Trade Receivables
Balance, January 1, 2023	$ -	$ -
Net remeasurement of loss allowance	-	-
Balance, December 31, 2023	$ -	$ -

	For the Year Ended December 31,2022	
	Notes Receivable	Trade Receivables
Balance, January 1, 2022	$ 106	$ 7
Net remeasurement of loss allowance	(106)	(7)
Balance, December 31, 2022	$ -	$ -

11. INVENTORIES

	December 31	
	2023	2022
Merchandise	$ 323	$ 403
Finished goods	176,956	120,535
Work in process	226,194	259,216
Raw materials and supplies	652,833	769,268
	$ 1,056,306	$ 1,149,422

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was $1,501,768 thousand and $2,111,993 thousand, respectively.

The cost of inventories recognized as cost of goods sold included inventory write-downs of $26,668 thousand and $23,488 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

		% of Ownership December 31	
Investee	Main Business	2023	2022
Mega-Fabs Motion Systems Ltd. (“Mega-Fabs”)	Research, development, manufacture and sale of drives and controllers	60	60

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	$ 3,134,841	$ 2,762,686
Assets leased under operating leases	376,066	391,219
	$ 3,510,907	$ 3,153,905

a. Assets used by the Group

	For the Year Ended December 31, 2023						
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Translation Adjustments	Ending Balance
Cost							
Land	$1,598,673	$ -	$ -	$ -	$ -	$ -	$1,598,673
Buildings and improvements	1,467,697	5,760	-	-	-	-	1,473,457
Machinery and equipment	604,094	7,682	(3,824)	36,277	-	-	644,229
Transportation equipment	30,802	1,220	(2,420)	-	-	-	29,602
Molding equipment	92,113	7,212	(1,201)	82	-	-	98,206
Leasehold improvements	35,932	-	-	119	-	(1,075)	34,976
Miscellaneous equipment	153,401	10,415	(3,990)	721	-	(342)	160,205
Construction in progress	3,077	453,743	-	-	-	-	456,820
	3,985,789	$ 486,032	$ (11,435)	$ 37,199	$ -	$ (1,417)	4,496,168
Accumulated depreciation							
Buildings and improvements	571,944	$ 63,108	$ -	$ -	$ -	$ -	635,052
Machinery and equipment	415,652	60,459	(3,824)	-	-	-	472,287
Transportation equipment	23,478	2,442	(2,420)	-	-	-	23,500
Molding equipment	80,928	6,346	(1,201)	-	-	-	86,073
Leasehold improvements	14,902	3,492	-	-	-	(441)	17,953
Miscellaneous equipment	116,199	13,449	(2,895)	-	-	(291)	126,462
	1,223,103	$ 149,296	$ (10,340)	$ -	$ -	$ (732)	1,361,327
	$2,762,686						$3,134,841

	For the Year Ended December 31, 2022						
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Translation Adjustments	Ending Balance
Cost							
Land	$1,598,673	$ -	$ -	$ -	$ -	$ -	$1,598,673
Buildings and improvements	1,768,240	4,983	-	1,681	(307,207)	-	1,467,697
Machinery and equipment	585,532	23,706	(34,133)	28,989	-	-	604,094
Transportation equipment	30,142	660	-	-	-	-	30,802
Molding equipment	85,312	6,713	(563)	651	-	-	92,113
Leasehold improvements	36,112	533	-	-	-	(713)	35,932
Miscellaneous equipment	141,637	7,074	(3,552)	8,470	-	(228)	153,401
Construction in progress	685	4,073	-	(1,681)	-	-	3,077
	4,246,333	$ 47,742	$ (38,248)	$ 38,110	$ (307,207)	$ (941)	3,985,789
Accumulated depreciation							
Buildings and improvements	522,136	$ 63,780	$ -	$ -	$ (13,972)	$ -	571,944
Machinery and equipment	394,471	54,691	(33,510)	-	-	-	415,652
Transportation equipment	20,523	2,955	-	-	-	-	23,478
Molding equipment	74,315	7,176	(563)	-	-	-	80,928
Leasehold improvements	11,552	3,635	-	-	-	(285)	14,902
Miscellaneous equipment	105,704	13,633	(2,948)	-	-	(190)	116,199
	1,128,701	$ 145,870	$ (37,021)	$ -	$ (13,972)	$ (475)	1,223,103
	$3,117,632						$2,762,686

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

Buildings and improvements	
Main buildings	50 years
Electrical power equipment	10-20 years
Other	7-20 years
Machinery and equipment	4-12 years
Transportation equipment	5-6 years
Molding equipment	2-10 years
Leasehold improvements	7-14 years
Miscellaneous equipment	3-17 years

Property, plant and equipment pledged as collateral for bank loans are set out in Note 27.

b. Assets subject to operating leases

	For the Year Ended December 31, 2023			
	Beginning Balance	**Transferred from Assets Used by the Group**	**Additions**	**Ending Balance**
Cost				
Buildings and improvements	$ 422,128	$ -	$ 23	$ 422,151
Accumulated depreciation				
Buildings and improvements	30,909	$ -	$ 15,176	46,085
	$ 391,219			$ 376,066

	For the Year Ended December 31, 2022			
	Beginning Balance	**Transferred from Assets Used by the Group**	**Additions**	**Ending Balance**
Cost				
Buildings and improvements	$ 114,748	$ 307,207	$ 173	$ 422,128
Accumulated depreciation				
Buildings and improvements	3,040	$ 13,972	$ 13,897	30,909
	$ 111,708			$ 391,219

Operating leases relate to leases of buildings with lease terms ranging from 2 to 3 years. The lessees do not have purchase options to acquire the assets at the expiration of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2023	2022
Year 1	$ 6,125	$ 19,390
Year 2	1,531	6,125
Year 3	-	1,531
	$ 7,656	$ 27,046

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

Buildings and improvements	
Main buildings	50 years
Electrical power equipment	10-20 years
Other	10-20 years

Lease commitments with lease terms commencing after the balance sheet date are as follows:

	December 31	
	2023	2022
Lease commitments of property, plant and equipment	$ 26,446	$ -

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amounts		
Buildings	$ 47,364	$ 49,622

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 6,655	$ -
Depreciation charge for right-of-use assets		
Buildings	$ 7,427	$ 7,381

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amounts		
Current	$ -	$ 1,184
Non-current	30,932	42,896
	$ 30,932	$ 44,080

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.60%-4.03%	1.60%-1.61%

c. Material lease-in activities and terms

The Group leases an office space for office and warehouse with lease term of 5 years. The Group has priority right to renew the lease for 6 years but does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

15. INTANGIBLE ASSETS

	For the Year Ended December 31, 2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Trademarks	$ 31,035	$ -	$ -	$ 31,035
Patents	26,881	1,694	-	28,575
Computer Software	79,032	1,147	(2,301)	77,878
	136,948	$ 2,841	$ (2,301)	137,488
Accumulated amortization				
Trademarks	28,994	$ 369	$ -	29,363
Patents	16,736	1,450	-	18,186
Computer Software	65,576	7,765	(2,301)	71,040
	111,306	$ 9,584	$ (2,301)	118,589
	$ 25,642			$ 18,899

	For the Year Ended December 31, 2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Trademarks	$ 30,820	$ 215	$ -	$ 31,035
Patents	25,296	1,585	-	26,881
Computer Software	71,010	8,028	(6)	79,032
	127,126	$ 9,828	$ (6)	136,948
Accumulated amortization				
Trademarks	28,606	$ 388	$ -	28,994
Patents	15,249	1,487	-	16,736
Computer Software	56,641	8,941	(6)	65,576
	100,496	$ 10,816	$ (6)	111,306
	$ 26,630			$ 25,642

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Trademarks	3-29 years
Patents	8-26 years
Computer Software	1-8 years

16. BANK LOANS

a. Short-term bank loans

	December 31	
	2023	2022
Unsecured bank loans		
Credit bank loans	$ 100,000	$ 80,000
Rate of interest per annum (%)		
Credit bank loans	1.79	1.65

b. Long-term bank loans

	December 31	
	2023	2022
Secured bank loans (Note 27)		
Secured loans - maturity dates range from September, 2024 to December, 2042	$ 747,340	$ 570,071
Unsecured bank loans		
Unsecured loans - maturity dates range from May, 2025 to October, 2027	214,305	124,356
	961,645	694,427
Less: Current portion	(143,184)	(87,081)
Long-term bank loans	$ 818,461	$ 607,346
Rate of interest per annum (%)		
Secured loans	1.80-1.99	1.73-1.93
Unsecured loans	1.15-1.32	1.02-1.19

In October 2019, the Corporation received the Ministry of Economic Affairs' approval for the qualification of 'Domestic Corporations' in Taiwan, and received subsidy for the processing fees of long-term bank loans. As of December 31, 2023, $244,740 thousand was drawn down for the purchase of machinery and equipment and for the operating capital. The Corporation recognized $3,413 thousand as government grant, the difference between the value of the loan obtained at a lower-than-market interest rate and its fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the related asset.

17. OTHER PAYABLES

	December 31	
	2023	2022
Payables for salaries and bonuses	$ 314,264	$ 335,771
Payables for purchases of building and equipment	191,392	4,073
Payables for annual leave	30,041	28,577
Others	71,398	79,542
	$ 607,095	$ 447,963

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Mega-Fabs has a defined contribution pension plan and is independently administered.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Corporation's defined benefit plans were as follows:

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 30,715	$ 30,970
Fair value of plan assets	(20,829)	(19,254)
Net defined benefit liabilities	$ 9,886	$ 11,716

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance, January 1, 2023	$ 30,970	$ (19,254)	$ 11,716
Service cost			
Current service cost	476	-	476
Net interest expense (income)	349	(224)	125
Recognized in profit or loss	825	(224)	601
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(186)	(186)
Actuarial gain - changes in financial assumptions	(195)	-	(195)
Actuarial gain - experience adjustments	(885)	-	(885)
Recognized in other comprehensive income	(1,080)	(186)	(1,266)
Contributions from the employer	-	(1,165)	(1,165)
Balance, December 31, 2023	$ 30,715	$ (20,829)	$ 9,886

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance, January 1, 2022	$ 29,441	$ (16,539)	$ 12,902
Service cost			
Current service cost	481	-	481
Net interest expense (income)	147	(86)	61
Recognized in profit or loss	628	(86)	542
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,309)	(1,309)
Actuarial gain - changes in financial assumptions	(272)	-	(272)
Actuarial loss - experience adjustments	1,173	-	1,173
Recognized in other comprehensive income	901	(1,309)	(408)
Contributions from the employer	-	(1,320)	(1,320)
Balance, December 31, 2022	$ 30,970	$ (19,254)	$ 11,716

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rates (%)	1.25	1.125
Expected rates of salary increase (%)	3.50	3.50

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	$ (381)	$ (461)
0.25% decrease	$ 393	$ 475
Expected rate of salary increase/decrease		
0.25% increase	$ 377	$ 456
0.25% decrease	$ (368)	$ (445)

The above sensitivity analysis presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	$ 1,195	$ 1,231
Average duration of the defined benefit obligation	5 years	5.9 years

19. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	119,802	119,802
Shares issued	$ 1,198,018	$ 1,198,018

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

Capital surplus that arises from shares issued in excess of par value may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

Capital surplus that arises from employee share options may not be used for any purpose.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal capital reserve at 10% of the remaining profit, until the accumulated legal capital reserve equals the Corporation's paid-in capital, then setting aside or reversing a special capital reserve in accordance with the laws and regulations, and then reserves equal or less than 6% of the remaining profit as cash dividend out of the remaining balance. Dividends can be distributed in the form of cash or share dividends, provided that the value of share dividends do not exceed two-thirds of the Corporation's dividends for the year. A distribution plan is proposed by the board of directors and approved by the shareholders in shareholders' meeting. Dividends distributed in whole or in part by cash can be approved by a board meeting that is attended by at least two-thirds of the board and approved by over one-half of the directors present, submitted to the shareholders' meeting. Approval by the shareholders is not necessary.

Policies on the distribution of compensation of employees and remuneration of directors under the Corporation's Articles, refer to compensation of employees and remuneration of directors in Note 20-c.

The legal capital reserve may be used to offset the Corporation's losses. If the Corporation is not operating at a loss and the legal capital reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or be distributed in the form of cash.

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2022	**2021**	**2022**	**2021**
Legal capital reserve	$ 32,727	$ 29,643		
Special capital reserve	3,867	-		
Cash dividends	119,802	119,802	$ 1	$ 1

The above 2022 and 2021 appropriations for cash dividends have been approved by the Corporation's board of directors on February 23, 2023 and February 24, 2022 respectively; the other proposed appropriations for 2022 and 2021 were also approved by the shareholders in the shareholders' meetings on May 30, 2023 and May 31, 2022, respectively.

The appropriations of earnings for 2023 proposed by the Corporation's board of directors on February 27, 2024 per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal capital reserve	$ 611	
Special capital reserve	(33)	
Cash dividends	11,980	$ 0.1

The appropriation of earnings for 2023 is subject to the resolution by the shareholders in their meeting to be held on May 30, 2024.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 12,568	$ 11,872
Interest on lease liabilities	504	716
	$ 13,072	$ 12,588

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest amount	$ 3,603	$ 822
Capitalization rates (%)	1.62-1.97	1.01-1.83

b. Employee benefits expense, depreciation and amortization

	Operating Costs	Operating Expenses	Other Operating Income and Expenses	Total
For the Year Ended December 31, 2023				
Short-term employee benefits	$ 255,185	$ 418,281	$ -	$ 673,466
Post-employment benefits				
Defined contribution plans	10,659	18,204	-	28,863
Defined benefit plans (Note 18)	316	285	-	601
Other employee benefits	10,507	10,106	-	20,613
Depreciation expenses	113,554	43,169	15,176	171,899
Amortization expenses	330	9,254	-	9,584
For the Year Ended December 31, 2022				
Short-term employee benefits	342,811	505,311	-	848,122
Post-employment benefits				
Defined contribution plans	11,805	16,486	-	28,291
Defined benefit plans (Note 18)	335	207	-	542
Other employee benefits	10,784	9,807	-	20,591
Depreciation expenses	104,218	49,033	13,897	167,148
Amortization expenses	591	10,225	-	10,816

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4% of net profit before income tax, for compensation of employees, and the remuneration of directors respectively. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, approved by the Corporation’s board of directors on February 27, 2024 and February 23, 2023, respectively, were as follows:

Cash	For the Year Ended December 31			
	2023		2022	
	Accrual rate	Amount	Accrual rate	Amount
Compensation of employees	32.10%	$ 1,000	5.14%	$ 21,847
Remuneration of directors	-	-	2.57%	10,923

Shall there be any change in the amounts after the annual consolidated financial statements authorized for issue, the differences are to be recorded as an adjustment to the accounting estimate of the next year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Further information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System of the Taiwan Stock Exchange website.

21. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 12,247	$ 58,710
Income tax of unappropriated earnings	7,292	4,241
Adjustments for prior years	(3,188)	1,973
	16,351	64,924
Deferred tax		
In respect of the current year	(12,336)	13,843
Income tax expense recognized in profit or loss	$ 4,015	$ 78,767

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	$ 7,389	$ 92,051
Non-deductible expenses in determining taxable income	179	310
Tax-exempt income	(161)	(123)
Income tax on unappropriated earnings	8,544	7,349
Investment tax credits used	(8,748)	(22,793)
Adjustments for prior years' tax	(3,188)	1,973
Income tax expense recognized in profit or loss	$ 4,015	$ 78,767

The tax rate applicable to the Group under the Income Tax Act in ROC is 20%; the tax rate applicable to Mega-Fabs for the years ended December 31, 2023 and 2022 is 7.5%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 1,910	$ 1,208
Remeasurement of defined benefit plans	(253)	(82)
	$ 1,657	$ 1,126

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation	$ 45,291	$ 11,735	$ -	$ 57,026
Payable for annual leave	444	(15)	-	429
Defined benefit obligation	2,343	(112)	(253)	1,978
Provisions	105	3,155	-	3,260
Payables for employees' bonuses	13,444	1,554	-	14,998
Unrealized loss on foreign currency exchange	-	1,870	-	1,870
Financial liabilities at FVTPL	153	(153)	-	-
Exchange differences on translation of foreign operations	-	-	1,052	1,052
Others	-	2,896	-	2,896
	$ 61,780	$ 20,930	$ 799	$ 83,509
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 58,990	$ 10,254	$ -	$ 69,244
Unrealized gain on foreign currency exchange	1,246	(1,246)	-	-
Exchange differences on translation of foreign operations	858	-	(858)	-
	$ 61,094	$ 9,008	$ (858)	$ 69,244

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation	$ 43,464	$ 1,827	$ -	$ 45,291
Payable for annual leave	462	(18)	-	444
Defined benefit obligation	2,580	(155)	(82)	2,343
Provisions	1,099	(994)	-	105
Payables for employees' bonuses	6,696	6,748	-	13,444
Unrealized loss on foreign currency exchange	700	(700)	-	-
Financial liabilities at FVTPL	-	153	-	153
	$ 55,001	$ 6,861	$ (82)	$ 61,780
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 39,328	$ 19,662	$ -	$ 58,990
Unrealized gain on foreign currency exchange	-	1,246	-	1,246
Exchange differences on translation of foreign operations	2,066	-	(1,208)	858
	$ 41,394	$ 20,908	$ (1,208)	$ 61,094

d. Unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2023	2022
Investment credits		
Research and development	$ 41,196	$ -

e. Income tax assessments

The tax returns of the Corporation through 2021 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2023			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 5,101	119,802	$ 0.04
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	54	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	$ 5,101	119,856	$ 0.04
For the Year Ended December 31, 2022			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 326,942	119,802	$ 2.73
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	340	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive ordinary shares	$ 326,942	120,142	$ 2.72

The Group may settle the compensation of employees in cash or shares, therefore, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2023 and 2022.

Cash paid for acquisition of property, plant and equipment for the year ended December 31, 2023 and 2022 were as follows:

	2023	2022
Increase in property, plant and equipment	$ 486,055	$ 47,915
Decrease (increase) in payables for purchases of building and equipment	(187,319)	1,681
	$ 298,736	$ 49,596

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	Short-term Bank loans	Long-term Bank loans	Lease Liabilities
Balance, January 1, 2023	$ 80,000	$ 694,427	$ 44,080
Net financing cash flows	20,000	267,459	(18,973)
Interest under operating activities	-	-	504
Non-cash Changes			
Adjustments for government subsidy	-	(241)	-
Lease liabilities	-	-	6,655
Effects of foreign currency exchange	-	-	(1,334)
Balance, December 31, 2023	$ 100,000	$ 961,645	$ 30,932

For the year ended December 31, 2022

	Short-term Bank loans	Long-term Bank loans	Lease Liabilities
Balance, January 1, 2022	$ -	$ 932,068	$ 44,237
Net financing cash flows	80,000	(237,704)	-
Interest under operating activities	-	-	716
Non-cash changes			
Adjustments for government subsidy	-	63	-
Effects of foreign currency exchange	-	-	(873)
Balance, December 31, 2022	$ 80,000	$ 694,427	$ 44,080

24. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Group has to maintain an appropriate amount of capital. Therefore, the Group manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development expenses, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

Management of the Group reviews the capital structure of the Group periodically, considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the overall capital structure is balanced by, adjusting the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

1) The estimated fair value of short-term financial instruments is based on the book value on the balance sheet. These financial instruments are very close to the expiration date; therefore, the book value is a reasonable basis for the estimation of fair value. This method is applicable to cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term bank loans, notes payable, trade payables and other payable.

2) Long-term bank loans' estimated fair value is based on the anticipated cash flow discounted at the long-term interest rate that is available to the Group under similar conditions. The Group's long-term bank loans rate is floating and the book value is equal to its fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Corporation's financial liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
Financial assets at amortized cost (1)	$ 1,291,060	$ 1,271,897
Financial assets at FVTOCI		
Equity instruments	34,352	26,678
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	-	763
Financial liabilities at amortized cost (2)	1,967,346	1,590,677

1) The balances included cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost, other receivables and refundable deposits.

2) The balances included short-term bank loans, notes payable, trade payables, other payables and long-term bank loans.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, bank loans and lease liabilities. The Group's corporate treasury function manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Material treasury activities are reviewed by the audit committee and the board of directors in accordance with relevant regulations and internal control policies.

1) Market risk

The financial risks that the Group's operating activities are exposed to is primarily the risks of changes in foreign currency exchange rates and changes in interest rates.

a) Foreign currency risk

The Group conducts foreign currency denominated sales and purchases, which creates exposure to foreign currency risk. Exchange rate risk exposures are managed by utilizing foreign exchange forward contracts, the anticipated cash flow of accounts receivable and trade payables offsets, or adjustment of foreign deposits, within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to the USD, EUR, JPY and RMB.

The sensitivity analysis used when reporting foreign currency risk internally to the executives mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had appreciated by 1% against the relevant foreign currencies, the post-tax profit for the years ended December 31, 2023 and 2022 would have decreased by $5,432 thousand and by $5,563 thousand respectively.

b) Interest rate risk

The Group is exposed to interest rate risk because the Group borrowed funds with interests at both fixed and floating rates. The Group partially offsets the risk by keeping cash and cash equivalents at floating rate and partially by comparing interest rates from different financial institutions and selecting the best one to manage the interest rate risk.

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

	December 31	
	2023	**2022**
Fair value interest rate risk		
Deposits in bank	$ -	$ 15,355
Lease liabilities	30,932	44,080
Long-term bank loans	214,305	124,356

(Continued)

	December 31	
	2023	2022
Cash flow interest rate risk		
Deposits in bank	$ 788,151	$ 715,438
Short-term bank loans	100,000	80,000
Long-term bank loans	747,340	570,071

(Concluded)

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year remained outstanding. A 1% increase or decrease is used when reporting interest rate risk internally to the executives and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2023 and 2022 would have (decreased) increased by $(474) thousand and $523 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the end of the reporting period, the counterparties of the Group are all creditworthy, no significant credit risk is expected.

The counterparties of the Group's trade receivables cover a large number of customers across diverse industries and hence the credit risk is not as highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a sufficient level of cash and cash equivalents adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2023 and 2022, the Group's available unutilized bank loan facilities of $2,011,410 thousand and $2,031,420 thousand, respectively.

The following table details the Group's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	More than 5 Years
December 31, 2023			
Non-derivative financial liabilities			
Non-interest bearing	$ 560,395	$ -	$ -
Lease liabilities	-	26,058	7,238
Fixed interest rate liabilities	71,677	142,628	-
Variable interest rate liabilities	171,507	275,750	400,083
	$ 803,579	$ 444,436	$ 407,321
December 31, 2022			
Non-derivative financial liabilities			
Non-interest bearing	$ 419,132	$ -	$ -
Lease liabilities	1,301	31,227	14,312
Fixed interest rate liabilities	14,350	110,006	-
Variable interest rate liabilities	152,731	275,007	222,333
	$ 587,514	$ 416,240	$ 236,645
Derivative financial liabilities			
Foreign currency forward contracts	$ 763	$ -	$ -

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
December 31, 2023					
Lease liabilities	$ -	$ 26,058	$ 7,238	$ -	$ -
Fixed interest rate liabilities	71,677	142,628	-	-	-
Floating interest rate liabilities	171,507	275,750	250,083	83,333	66,667
	$ 243,184	$ 444,436	$ 257,321	$ 83,333	$ 66,667
December 31, 2022					
Lease liabilities	$ 1,301	$ 31,227	$ 14,312	$ -	$ -
Fixed interest rate liabilities	14,350	110,006	-	-	-
Floating interest rate liabilities	152,731	275,007	222,333	-	-
	$ 168,382	$ 416,240	$ 236,645	$ -	$ -

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed as below.

a. Related party name and category

Related Party	Relationship with the Group
Hiwin Technologies Corporation (Hiwin Technologies)	Other related party
Hiwin Corporation, U.S.A. (Hiwin USA)	Other related party
Hiwin Corporation, Japan (Hiwin Japan)	Other related party
Hiwin GmbH (Hiwin Germany)	Other related party
Hiwin Singapore Pte. Ltd. (Hiwin Singapore)	Other related party
Hiwin Technologies (China) Corporation (Hiwin China)	Other related party
Matrix Precision Co., Ltd. (Matrix Precision)	Other related party
Hiwin S.R.L. (Hiwin Italy)	Other related party
Hiwin Corporation (Hiwin Korea)	Other related party
Hiwin (Schweiz) GmbH (Hiwin Schweiz)	Other related party
Suzhou Matrix Precision Machinery Co., Ltd. (Suzhou Matrix)	Other related party

b. Operating transactions

	For the Year Ended December 31	
	2023	2022
1) Sales of goods		
Hiwin Germany	$ 190,392	$ 417,234
Other related parties	485,888	573,277
	$ 676,280	$ 990,511

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable, price and terms were determined in accordance with mutual agreements. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing. Credit terms of the related parties are O/A 90 to 150 days and 90 days after the end of the month.

	For the Year Ended December 31	
	2023	2022
2) Purchases of goods		
Other related parties	$ 53,261	$ 103,063

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable. Payment terms are O/A 90 to 120 days and 60 to 90 day after the end of the month.

3) Other income (classified as subtraction of cost of goods sold)

	For the Year Ended December 31	
	2023	2022
Other related parties	$ 32,710	$ -

4) Other operating transactions

Manufacturing and operating expenses		
Other related parties	$ 2,331	$ 3,928
Non-operating income - rental income (classified as other income)		
Hiwin Technologies	$ 19,390	$ 17,859

Rental income represented the lease rates of the Group's factory in accordance with the lease agreements and were based on rents of similar factories in the vicinity. The rents were paid monthly.

	For the Year Ended December 31	
	2023	2022
Non-operating income - dividend income (classified as other income)		
Hiwin Technologies	$ 804	$ 617
Non-operating income - other income (classified as other income)		
Other related parties		
Hiwin Technologies	$ 4,517	$ 11,657
Matrix Precision	3,446	1,824
	$ 7,963	$ 13,481
Non-operating income - other expenses (classified as other expenses)		
Matrix Precision	$ 2,880	$ -

	December 31	
	2023	2022
5) Notes receivable		
Other related parties	$ 365	$ -

	December 31	
	2023	2022
6) Trade receivables		
Other related parties		
Hiwin Technologies	$ 53,373	$ 58,879
Hiwin USA	34,045	19,770
Hiwin Japan	13,194	51,343
Hiwin Germany	-	99,331
Others	26,574	52,683
	$ 127,186	$ 282,006
7) Other receivables		
Other related parties		
Hiwin Technologies	$ 38,091	$ 2,710
Others	171	27
	$ 38,262	$ 2,737
8) Prepayments for purchases of goods (classified as other current assets)		
Other related parties	$ 13	$ -
9) Prepayments for machinery and equipment		
Other related parties	$ -	$ 688
10) Trade payables		
Other related parties	$ 432	$ -
11) Other payables		
Other related parties	$ 34,678	$ -
12) Guarantee deposits received (classified as other non-current liabilities)		
Hiwin Technologies	$ 1,616	$ 1,616

c. Transaction of property, plant and equipment

1) Acquisition of property, plant and equipment

	Purchase Price For the Year Ended December 31	
	2023	2022
Other related parties	$ 2,167	$ 3,827

2) Disposal of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain or Loss Disposal For the Year Ended December 31	
	2023	**2022**	**2023**	**2022**
Other related parties	$ 985	$ 645	$ (110)	$ 40

d. Acquisition of intangible assets

	Purchase Price For the Year Ended December 31	
	2023	**2022**
Other related parties	$ -	$ 625

e. Endorsements and guarantees

Endorsements and guarantees given by related parties

	December 31	
Related Party Name	**2023**	**2022**
Matrix Precision		
Amount endorsed	$ 288,000	$ 288,000
Amount utilized (classified as bank loans)	$ -	$ -

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	**2022**
Short-term employee benefits	$ 39,566	$ 64,889
Post-employment benefits	651	622
	$ 40,217	$ 65,511

The remuneration of directors and key executives was determined in accordance with the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for bank loans:

	December 31	
	2023	**2022**
Property, plant and equipment	$ 2,813,078	$ 2,142,737

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2023 and 2022, commitment for the acquisition of property, plant and equipment amounted to $473,176 thousand and $945,756 thousand.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 19,856	30.71	$ 609,674	$ 14,215	30.71	$ 436,530
RMB	21,629	4.33	93,590	20,286	4.41	89,421
EUR	1,137	33.98	38,621	4,395	32.72	143,809
JPY	93,684	0.22	20,348	256,873	0.23	59,697
Financial liabilities						
Monetary items						
USD	405	30.71	12,422	495	30.71	15,193
RMB	7,216	4.33	31,224	2,738	4.41	12,070
EUR	1,127	33.98	38,298	82	32.72	2,671
JPY	6,163	0.22	1,339	17,716	0.23	4,117

The Group is mainly exposed to the USD, RMB, EUR and JPY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	$ 1,908	1 (NTD:NTD)	$ 42,817
ILS	8.46 (ILS:NTD)	8,692	8.87 (ILS:NTD)	34,385
		$ 10,600		$ 77,202

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Notes 8 and 9)

4) Marketable securities acquired or disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (Notes 7 and 25)

10) Other: intercompany relationships and significant intercompany transactions. (Table 3)

11) Information on investees. (Table 4)

b. Information on investments in mainland China. (None)

c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group’s reportable segments are precision motion and control parts, micro and nano-positioning systems and others.

a. Segment revenue and results

The following was an analysis of the Group’s revenue and results from continuing operations by reportable segment:

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2023	2022	2023	2022
Precision motion and control parts	$ 1,238,811	$ 1,834,333	$ 11,999	$ 184,682
Micro and nano-positioning systems	907,360	1,356,289	13,626	188,454
Others	24,029	37,758	457	5,420
Total from continuing operations	$ 2,170,200	$ 3,228,380	26,082	378,556
Subsidy revenue			1,311	4,701
Finance costs			(13,072)	(12,588)
Interest income			4,107	1,166
Other income			31,972	38,355
Net foreign exchange gain			10,600	77,202
Valuation gain (loss) on financial assets (liabilities) at FVTPL			699	(1,081)
Other expenses			(18,405)	(15,063)
Profit before income tax			$ 43,294	$ 471,248

Segment revenue reported above represents revenue generated from sales made to external customers. There were no intersegment sales for the years ended December 31, 2023 and 2022.

Segment profit represented the profit before tax earned by each segment without subsidy revenue, finance costs, interest income, other income, net foreign exchange gain, valuation gain (loss) on financial assets (liabilities) at FVTPL, other expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Group operates in Taiwan and Israel.

The Group’s revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	$ 1,871,743	$ 2,760,911	$ 3,530,869	$ 3,205,354
Israel	298,457	467,469	66,566	72,393
	$ 2,170,200	$ 3,228,380	$ 3,597,435	$ 3,277,747

Non-current assets exclude financial instruments, goodwill and deferred tax assets.

d. Information about major customers

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Customer A	$ 676,280	31	$ 990,511	31
Customer B	490,867	23	748,387	23

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix Precision	Other related party	$ 489,000	$ 489,000	$ 489,000	$ 232,501	$ -	12.9%	$ 1,324,986	-	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Corporation’s net assets as shown in its most recent financial statements. For mutual endorsements/guarantees provided by joint builders based on contract, the amount of endorsements/guarantees is not subject to the foregoing limitations; however, it must not exceed the amount of mutual endorsements/guarantees based on contract and 50% of the Corporation's net assets in its most recent financial statements.

Note 2: The aggregate endorsement/guarantee limit is 35% of the Corporation’s net assets as shown in its latest financial statements.

Note 3: The ending balance has been approved by the board of directors.

TABLE 2

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Hiwin Germany	Other related party	Sale	$ 190,392	10%	O/A 90 days	$ -	-	$ -	-	
	Hiwin Technologies	Other related party	Sale	170,960	9%	90 days after the end of the month	-	-	53,373	13%	

TABLE 3

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
0	The Corporation	Mega-Fabs	1	Sales	$ 2,391	O/A 30 days	-
			1	Cost of goods sold	25,399	O/A 30 days	1
			1	Trade payables	2,088	O/A 30 days	-
			1	Manufacturing and operating expenses	5,049	-	-
			1	Other payables	977	-	-

Note 1: Relationship of investee company to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; (3) Subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TABLE 4

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income of the Investee	Share of Profit	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Corporation	Mega-Fabs	Israel	Research, manufacture and sale of drives and controllers	$ 63,650	$ 63,650	360,000	60	$ 407,778	$ 85,878	$ 51,267	Subsidiary

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 5

HIWIN MIKROSYSTEM CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Chuo, Shou-Yeu	22,395,630	18.69%
Hiwin Technologies Corporation	9,525,676	7.95%
Hiwin Investment Corporation	6,592,991	5.50%

Note 1: The information on major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder transfers his/her shareholdings to a trust, the above information will be disclosed by the individual trustor who opened the trust account. Shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings disclosed include shares held by shareholders and those transferred to the trusts over which the shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

#【Appendix 2】Individual financial report and auditors' report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hiwin Mikrosystem Corporation

Opinion

We have audited the accompanying parent corporation only financial statements of Hiwin Mikrosystem Corporation (the "Corporation"), which comprise the parent corporation only balance sheets as of December 31, 2023 and 2022, and the parent corporation only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent corporation only financial statements, including material accounting policy information (collectively referred to as the "parent corporation only financial statements").

In our opinion, the accompanying parent corporation only financial statements present fairly, in all material respects, the parent corporation only financial position of the Corporation as of December 31, 2023 and 2022, and its parent corporation only financial performance and its parent corporation only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent corporation only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent corporation only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the parent corporation only financial statements for the year ended December 31, 2023 is described as follows:

Valuation and Impairment Assessment of Inventory

As of December 31, 2023, the carrying amount of inventory was $907,193 thousand, accounting for 16% of consolidated total assets and is material to the parent corporation only financial statements. Such carrying amount of inventory is measured at the lower of cost or net realizable value, which is subject to the management's judgment and estimation uncertainty. Therefore, valuation and impairment assessment of inventory was identified as a key audit matter. The accounting policy and material accounting estimation on the valuation and impairment assessment of inventory and the details of inventory are disclosed in Notes 4, 5 and 11 to the parent corporation only financial statements.

Our key audit procedures performed with respect to the valuation and impairment assessment included the following:

1. We obtained an understanding of and assessed the related internal controls, procedures and policy on the valuation of inventory.

2. We assessed the reasonableness of allowance for impairment of inventory by reference to the aging of inventories and the level of inventory consumed and sold.

3. We tested the net realizable value of sample inventory items, and we checked the accuracy of the net realizable value.

4. We compared the net realizable value of the sample inventory items with the carrying amount and confirmed that the carrying amount of inventory did not exceed its net realizable value.

5. We evaluated the adequacy of provision for obsolete, sluggish and damaged inventories during our observation of inventory counts.

Responsibilities of Management and Those Charged with Governance for the Parent Corporation Only Financial Statements

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

In preparing the parent corporation only financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Parent Corporation Only Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent corporation 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 Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent corporation 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 auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent corporation only financial statements, including the disclosures, and whether the parent corporation only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the parent corporation only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent corporation only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

<u>*Notice to Readers*</u>

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

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

HIWIN MIKROSYSTEM CORPORATION

PARENT CORPORATION ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31,2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 187,462	3	$ 217,887	4
Notes receivable, net (Notes 4, 10 and 25)	3,150	-	7,059	-
Trade receivables from unrelated parties, net (Notes 4 and 10)	284,706	5	162,060	3
Trade receivables from related parties, net (Notes 4, 10 and 25)	127,186	2	282,006	5
Other receivables (Notes 4 and 25)	43,208	1	17,481	-
Inventories (Notes 4, 5 and 11)	907,193	16	993,473	19
Other current assets (Note 25)	48,649	1	30,171	1
Total current assets	1,601,554	28	1,710,137	32
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	34,352	1	26,678	1
Financial assets at amortized cost - non-current (Notes 4 and 9)	948	-	953	-
Investments accounted for using the equity method (Notes 4 and 12)	407,778	7	366,062	7
Property, plant and equipment (Notes 4, 13, 25 and 26)	3,491,705	62	3,131,133	58
Intangible assets (Notes 4, 14 and 25)	18,899	-	25,642	-
Deferred tax assets (Notes 4 and 20)	68,082	1	47,892	1
Prepayments for machinery and equipment (Note 25)	16,584	1	44,553	1
Refundable deposits (Note 4)	3,681	-	4,025	-
Total non-current assets	4,042,029	72	3,646,938	68
TOTAL	$ 5,643,583	100	$ 5,357,075	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 100,000	2	$ 80,000	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	763	-
Contract liabilities (Note 4)	23,913	-	17,275	-
Notes payable	875	-	953	-
Trade payables (Note 25)	293,054	5	340,408	6
Other payables (Notes 16 and 25)	366,825	7	223,028	4
Current tax liabilities (Notes 4 and 20)	10,498	-	22,542	-
Current portion of long-term loans (Notes 15 and 26)	143,184	3	87,081	2
Other current liabilities (Note 4)	18,272	-	2,292	-
Total current liabilities	956,621	17	774,342	14
NON-CURRENT LIABILITIES				
Long-term loans (Notes 15 and 26)	818,461	15	607,346	12
Deferred tax liabilities (Notes 4 and 20)	69,244	1	61,094	1
Net defined benefit liabilities - non-current (Notes 4 and 17)	9,886	-	11,716	-
Other non-current liabilities (Note 25)	3,696	-	3,247	-
Total non-current liabilities	901,287	16	683,403	13
Total liabilities	1,857,908	33	1,457,745	27
EQUITY				
Ordinary shares	1,198,018	21	1,198,018	22
Capital surplus	1,578,181	28	1,578,181	30
Retained earnings				
Legal capital reserve	156,748	3	124,021	2
Special reserve	3,867	-	-	-
Unappropriated earnings	852,695	15	1,002,977	19
Other equity	(3,834)	-	(3,867)	-
Total equity	3,785,675	67	3,899,330	73
TOTAL	$ 5,643,583	100	$ 5,357,075	100

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

HIWIN MIKROSYSTEM CORPORATION

PARENT CORPORATION ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4 and 25)	$ 1,874,134	100	$ 2,767,944	100
COST OF GOODS SOLD (Notes 11, 19 and 25)	1,382,944	74	1,917,698	69
GROSS PROFIT	491,190	26	850,246	31
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	136,630	7	149,909	5
General and administrative expenses	184,484	10	223,491	8
Research and development expenses	225,540	12	242,341	9
Total operating expenses	546,654	29	615,741	22
INCOME (LOSS) FROM OPERATIONS	(55,464)	(3)	234,505	9
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Note 4)	1,311	-	4,701	-
Finance costs (Notes 4 and 19)	(12,568)	(1)	(11,872)	-
Share of profit of subsidiaries accounted for using the equity method (Note 4)	51,267	3	98,308	4
Interest income (Note 4)	1,266	-	1,159	-
Other income (Note 25)	31,972	2	38,355	1
Net foreign exchange gain (loss) (Notes 4 and 28)	1,908	-	42,817	1
Valuation gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note 4)	699	-	(1,081)	-
Other expenses (Notes 19 and 25)	(18,276)	(1)	(14,865)	(1)
Total non-operating income and expenses	57,579	3	157,522	5
INCOME BEFORE INCOME TAX	2,115	-	392,027	14
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 20)	(2,986)	-	65,085	2
NET INCOME FOR THE YEAR	5,101	-	326,942	12

(Continued)

HIWIN MIKROSYSTEM CORPORATION

PARENT CORPORATION ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	$ 1,266	-	$ 408	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	7,674	-	(7,297)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	(253)	-	(82)	-
	8,687	-	(6,971)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(9,551)	-	(6,042)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 20)	1,910	-	1,208	-
	(7,641)	-	(4,834)	-
Other comprehensive income (loss), net of income tax	1,046	-	(11,805)	(1)
TOTAL COMPREHENSIVE INCOME	$ 6,147	-	$ 315,137	11
EARNINGS PER SHARE (Note 21)				
Basic	$ 0.04		$ 2.73	
Diluted	$ 0.04		$ 2.72	

The accompanying notes are an integral part of the parent corporation only financial statements. (Concluded)

HIWIN MIKROSYSTEM CORPORATION

PARENT CORPORATION OLNY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

		Capital Surplus		Retained Earnings (Note 18)			Other Equity		
	Ordinary Shares (Note 18)	Issuance of Shares (Note 18)	Employee Share Options (Notes 4 and 18)	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operation (Note 4)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 4)	Total Equity
BALANCE, JANUARY 1, 2022	$ 1,198,018	$ 1,576,813	$ 1,368	$ 94,378	$ -	$ 825,154	$ 8,264	$ -	$ 3,703,995
Appropriation of 2021 earnings									
Legal capital reserve	-	-	-	29,643	-	(29,643)	-	-	-
Cash dividends	-	-	-	-	-	(119,802)	-	-	(119,802)
	-	-	-	29,643	-	(149,445)	-	-	(119,802)
Net profit for the year ended December 31, 2022	-	-	-	-	-	326,942	-	-	326,942
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	326	(4,834)	(7,297)	(11,805)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	327,268	(4,834)	(7,297)	315,137
BALANCE, DECEMBER 31, 2022	1,198,018	1,576,813	1,368	124,021	-	1,002,977	3,430	(7,297)	3,899,330
Appropriation of 2022 earnings									
Legal capital reserve	-	-	-	32,727	-	(32,727)	-	-	-
Special Capital reserve	-	-	-	-	3,867	(3,867)	-	-	-
Cash dividends	-	-	-	-	-	(119,802)	-	-	(119,802)
	-	-	-	32,727	3,867	(156,396)	-	-	(119,802)
Net profit for the year ended December 31, 2023	-	-	-	-	-	5,101	-	-	5,101
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	1,013	(7,641)	7,674	1,046
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	6,114	(7,641)	7,674	6,147
BALANCE, DECEMBER 31, 2023	$ 1,198,018	$ 1,576,813	$ 1,368	$ 156,748	$ 3,867	$ 852,695	$ (4,211)	$ 377	$ 3,785,675

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

HIWIN MIKROSYSTEM CORPORATION

PARENT CORPORATION ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,115	$ 392,027
Adjustments for:		
Depreciation expenses	159,951	155,004
Amortization expenses	9,584	10,816
Expected credit loss recognized (reversed) on trade receivables	-	(113)
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	-	763
Finance costs	12,568	11,872
Interest income	(1,266)	(1,159)
Dividend income	(804)	(617)
Share of profit of subsidiaries	(51,267)	(98,308)
Loss on disposal of property, plant and equipment	110	582
Write-down of inventories	25,964	22,978
Unrealized foreign currency exchange loss (gain), net	7,492	(6,740)
Others	(611)	78
Changes in operating assets and liabilities		
Financial liabilities mandatorily classified as at fair value through profit or loss	(763)	-
Notes receivable	3,909	3,568
Trade receivables	23,848	85,031
Other receivables	(25,727)	(2,355)
Inventories	52,370	(97,949)
Other current assets	(18,478)	2,320
Contract liabilities	6,638	(18,169)
Notes payable	(78)	(1,391)
Trade payables	(46,442)	(183,305)
Other payables	(43,787)	552
Other current liabilities	15,980	(5,103)
Net defined benefit liabilities	(564)	(778)
Cash generated from operations	130,742	269,604
Interest received	1,266	1,159
Dividends received	804	617
Interest paid	(11,557)	(11,216)
Income taxes paid	(19,441)	(71,645)
Net cash generated from operating activities	101,814	188,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(33,975)
Payments for property, plant and equipment	(297,100)	(48,579)
Proceeds from disposal of property, plant and equipment	985	645
Decrease (increase) in refundable deposits	344	(3,141)

(Continued)

HIWIN MIKROSYSTEM CORPORATION

PARENT CORPORATION ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
Payments for intangible assets	$ (2,841)	$ (9,828)
Increase in prepayments for machinery and equipment	(1,284)	(10,542)
Net cash used in investing activities	(299,896)	(105,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short-term loans	20,000	80,000
Proceeds from long-term loans	365,440	45,000
Repayments of long-term loans	(97,981)	(282,704)
Increase in guarantee deposits received	-	1,022
Dividends paid	(119,802)	(119,802)
Net cash generated from (used in) financing activities	167,657	(276,484)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,425)	(193,385)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	217,887	411,272
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 187,462	$ 217,887

The accompanying notes are an integral part of the parent corporation only financial statements. (Concluded)

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

1. GENERAL INFORMATION

Hiwin Mikrosystem Corporation (the “Corporation”) was incorporated on April 1, 1997. It manufactures, repairs and sells a variety of motors, drives and automation systems.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TWSE) since September 4, 2019.

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

2. APPROVAL OF PARENT CORPORATION ONLY FINANCIAL STATEMENTS

The parent corporation only financial statements were approved by the Corporation’s board of directors on February 27, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent corporation only financial statements, the Corporation used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent corporation only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent corporation only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent corporation only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

In preparing the parent corporation only financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent corporation only financial statements, the financial statements of the Corporation's foreign operations (including subsidiaries in other countries or those that are prepared using functional currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

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

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

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

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

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent corporation only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent corporation only financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

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

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant, and equipment and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in other gains or losses. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such financial asset, except for:

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

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities which are stated at fair value and any gains or losses on such financial liabilities are recognized in other gains or losses, all the financial liabilities are measured at amortized cost using the effective interest method:

Fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. Provision

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

Provisions for the expected cost of warranty obligations with sale contract are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditure required to settle the Corporation’s obligation.

l. Revenue recognition

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

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

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

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

m. Leases

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

1) The Corporation as lessor

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

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

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

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

o. Government grants

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

Government grants related to income are recognized in subsidy revenue on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate.

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

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

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

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

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

r. Taxation

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

1) Current tax

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Corporation is able to control the reversal of the temporary difference and it is possible that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When the Corporation develops material accounting estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31 2023	December 31 2022
Cash on hand	$ 1,112	$ 1,468
Checking accounts and demand deposits	186,350	201,064
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	-	15,355
	$ 187,462	$ 217,887
Rate of interest per annum (%)		
Cash in bank	0.001-4.80	0.001-4.00
Time deposits (investments with original maturities of 3 months or less)	-	4.33-4.35

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting are as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2022			
Sell	JPY/NTD	2023.3.10-2023.6.12	JPY82,950/NTD18,408

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

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

	December 31 2023	December 31 2022
Name of Investee Corporation		
Domestic listed ordinary shares		
Hiwin Technologies Corporation (Hiwin Technologies)	$ 34,352	$ 26,678

The investment in equity instrument is held for medium to long-term strategic purposes. Accordingly, the management elected to designate the investment in equity instrument as at FVTOCI as they believe that recognizing short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Corporation's strategy of holding the investment for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	December 31	
	2023	2022
Non-current		
Domestic investments		
Government bonds	$ 948	$ 953

On March 13, 2019, the Corporation bought government bonds at face value of $900 thousand with a coupon rate of 1.625%, an effective interest rate of 0.95% and maturity in March 2032 that was pledged as investment deposit for the Central Taiwan Science Park as of December 31, 2022.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2023	2022
Notes receivable from unrelated parties		
At amortized cost		
Gross carrying amount	$ 3,150	$ 7,059
Less: Allowance for impairment loss	-	-
	$ 3,150	$ 7,059
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 411,892	$ 444,066
Less: Allowance for impairment loss	-	-
	$ 411,892	$ 444,066

a. Notes receivable

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

	December 31	
	2023	2022
Not past due	$ 3,150	$ 7,059
Past due	-	-
	$ 3,150	$ 7,059

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

b. Trade receivables

The Corporation determines the credit terms of sales based on the counterparty's credit rating, region and transaction terms.

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

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated by reference to the past default records of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as industry outlooks. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. The recoveries made are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 120 Days	121 to 360 Days	Over 360 Days	Total
December 31, 2023					
Gross carrying amount	$ 389,515	$ 22,377	$ -	$ -	$ 411,892
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 389,515	$ 22,377	$ -	$ -	$ 411,892
December 31, 2022					
Gross carrying amount	$ 433,399	$ 10,604	$ 63	$ -	$ 444,066
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 433,399	$ 10,604	$ 63	$ -	$ 444,066

The movements of loss allowance were as follows:

	For the Year Ended December 31, 2023	
	Notes Receivable	Trade Receivables
Balance, January 1, 2023	$ -	$ -
Net remeasurement of loss allowance	-	-
Balance, December 31, 2023	$ -	$ -

	For the Year Ended December 31, 2022	
	Notes Receivable	Trade Receivables
Balance, January 1, 2022	$ 106	$ 7
Net remeasurement of loss allowance	(106)	(7)
Balance, December 31, 2022	$ -	$ -

11. INVENTORIES

	December 31	
	2023	2022
Merchandise	$ 323	$ 403
Finished goods	143,065	91,308
Work in process	197,229	229,213
Raw materials and supplies	566,576	672,549
	$ 907,193	$ 993,473

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was $1,382,944 thousand and $1,917,698 thousand, respectively.

The cost of inventories recognized as cost of goods sold included inventory write-downs of $25,964 thousand and $22,978 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Proportion of Ownership and Voting Rights	
	2023	2022
Name of subsidiary		
Mega-Fabs Motion Systems Ltd. (“Mega-Fabs”)	60%	60%

The investment cost in excess of the fair value of net equity value of the investee was the amount of goodwill, which was $49,218 thousand on December 31, 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31 2023	December 31 2022
Assets used by the Corporation	$ 3,115,639	$ 2,739,914
Assets leased under operating leases	376,066	391,219
	$ 3,491,705	$ 3,131,133

a. Assets used by the Corporation

	For the Year Ended December 31, 2023					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Ending Balance
Cost						
Land	$ 1,598,673	$ -	$ -	$ -	$ -	$ 1,598,673
Buildings and improvements	1,467,697	5,760	-	-	-	1,473,457
Machinery and equipment	604,094	7,682	(3,824)	36,277	-	644,229
Transportation equipment	30,802	1,220	(2,420)	-	-	29,602
Molding equipment	92,113	7,212	(1,201)	82	-	98,206
Miscellaneous equipment	141,910	8,779	(3,990)	840	-	147,539
Construction in progress	3,077	453,743	-	-	-	456,820
	3,938,366	$ 484,396	$ (11,435)	$ 37,199	$ -	4,448,526
Accumulated depreciation						
Buildings and improvements	571,944	$ 63,108	$ -	$ -	$ -	635,052
Machinery and equipment	415,652	60,459	(3,824)	-	-	472,287
Transportation equipment	23,478	2,442	(2,420)	-	-	23,500
Molding equipment	80,928	6,346	(1,201)	-	-	86,073
Miscellaneous equipment	106,450	12,420	(2,895)	-	-	115,975
	1,198,452	$ 144,775	$ (10,340)	$ -	$ -	1,332,887
	$ 2,739,914					$ 3,115,639

	For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Transferred to Assets Subject to Operating Leases	Ending Balance
Cost						
Land	$ 1,598,673	$ -	$ -	$ -	$ -	$ 1,598,673
Buildings and improvements	1,768,240	4,983	-	1,681	(307,207)	1,467,697
Machinery and equipment	585,532	23,706	(34,133)	28,989	-	604,094
Transportation equipment	30,142	660	-	-	-	30,802
Molding equipment	85,312	6,713	(563)	651	-	92,113
Miscellaneous equipment	130,402	6,590	(3,552)	8,470	-	141,910
Construction in progress	685	4,073	-	(1,681)	-	3,077
	4,198,986	$ 46,725	$ (38,248)	$ 38,110	$ (307,207)	3,938,366
Accumulated depreciation						
Buildings and improvements	522,136	$ 63,780	$ -	$ -	$ (13,972)	571,944
Machinery and equipment	394,471	54,691	(33,510)	-	-	415,652
Transportation equipment	20,523	2,955	-	-	-	23,478
Molding equipment	74,315	7,176	(563)	-	-	80,928
Miscellaneous equipment	96,893	12,505	(2,948)	-	-	106,450
	1,108,338	$ 141,107	$ (37,021)	$ -	$ (13,972)	1,198,452
	$ 3,090,648					$ 2,739,914

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

Buildings and improvements	
Main buildings	50 years
Electrical power equipment	10-20 years
Other	7-20 years
Machinery and equipment	4-12 years
Transportation equipment	5-6 years
Molding equipment	2-10 years
Miscellaneous equipment	3-8 years

Property, plant and equipment pledged as collateral for bank loans are set out in Note 26.

b. Assets subject to operating leases

	For the Year Ended December 31, 2023			
	Beginning Balance	**Transferred from Assets Used by the Corporation**	**Additions**	**Ending Balance**
Cost				
Buildings and improvements	$ 422,128	$ -	$ 23	$ 422,151
Accumulated depreciation				
Buildings and improvements	30,909	$ -	$ 15,176	46,085
	$ 391,219			$ 376,066

	For the Year Ended December 31, 2022			
	Beginning Balance	**Transferred from Assets Used by the Corporation**	**Additions**	**Ending Balance**
Cost				
Buildings and improvements	$ 114,748	$ 307,207	$ 173	$ 422,128
Accumulated depreciation				
Buildings and improvements	3,040	$ 13,972	$ 13,897	30,909
	$ 111,708			$ 391,219

Operating leases relate to leases of buildings with lease terms ranging from 2 to 3 years. The lessees do not have purchase options to acquire the assets at the expiration of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2023	2022
Year 1	$ 6,125	$ 19,390
Year 2	1,531	6,125
Year 3	-	1,531
	$ 7,656	$ 27,046

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

Buildings and improvements	
Main buildings	50 years
Electrical power equipment	10-20 years
Other	10-20 years

Lease commitments with lease terms commencing after the balance sheet date are as follows:

	December 31	
	2023	2022
Lease commitments of property, plant and equipment	$ 26,446	$ -

14. INTANGIBLE ASSETS

	For the Year Ended December 31, 2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Trademarks	$ 31,035	$ -	$ -	$ 31,035
Patents	26,881	1,694	-	28,575
Computer Software	79,032	1,147	(2,301)	77,878
	136,948	$ 2,841	$ (2,301)	137,488
Accumulated amortization				
Trademarks	28,994	$ 369	$ -	29,363
Patents	16,736	1,450	-	18,186
Computer Software	65,576	7,765	(2,301)	71,040
	111,306	$ 9,584	$ (2,301)	118,589
	$ 25,642			$ 18,899

	For the Year Ended December 31, 2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost				
Trademarks	$ 30,820	$ 215	$ -	$ 31,035
Patents	25,296	1,585	-	26,881
Computer Software	71,010	8,028	(6)	79,032
	127,126	$ 9,828	$ (6)	136,948
Accumulated amortization				
Trademarks	28,606	$ 388	$ -	28,994
Patents	15,249	1,487	-	16,736
Computer Software	56,641	8,941	(6)	65,576
	100,496	$ 10,816	$ (6)	111,306
	$ 26,630			$ 25,642

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Trademark	3-29 years
Patents	8-26 years
Computer Software	1-8 years

15. BANK LOANS

a. Short-term bank loans

	December 31	
	2023	2022
Unsecured bank loans		
Credit bank loans	$ 100,000	$ 80,000
Rate of interest per annum (%)		
Credit bank loans	1.79	1.65

b. Long-term bank loans

	December 31	
	2023	2022
Secured bank loans (Note 26)		
Secured loans - maturity dates range from September 2024 to December 2042	$ 747,340	$ 570,071
Unsecured bank loans		
Unsecured loans - maturity dates range from May 2025 to October 2027	214,305	124,356
	961,645	694,427
Less: Current portion	(143,184)	(87,081)
Long-term bank loans	$ 818,461	$ 607,346
Rate of interest per annum (%)		
Secured loans	1.80-1.99	1.73-1.93
Unsecured loans	1.15-1.32	1.02-1.19

In October 2019, the Corporation received the Ministry of Economic Affairs' approval for the qualification of 'Domestic Corporations' in Taiwan, and received subsidy for the processing fees of long-term bank loans. As of December 31, 2023, $244,740 thousand was drawn down for the purchase of machinery and equipment and for the operating capital. The Corporation recognized $3,413 thousand as government grant, the difference between the value of the loan obtained at a lower-than-market interest rate and its fair value, which was accounted for as deferred revenue and would be subsequently recognized in profit or loss over the useful life of the related asset.

16. OTHER PAYABLES

	December 31	
	2023	2022
Payables for purchases of building and equipment	$ 191,392	$ 4,073
Payables for salaries and bonuses	82,575	126,935
Payables for annual leave	24,313	22,652
Others	68,545	69,368
	$ 366,825	$ 223,028

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 30,715	$ 30,970
Fair value of plan assets	(20,829)	(19,254)
Net defined benefit liabilities	$ 9,886	$ 11,716

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance, January 1, 2023	$ 30,970	$ (19,254)	$ 11,716
Service cost			
Current service cost	476	-	476
Net interest expense (income)	349	(224)	125
Recognized in profit or loss	825	(224)	601
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(186)	(186)
Actuarial gain - changes in financial assumptions	(195)	-	(195)
Actuarial gain - experience adjustments	(885)	-	(885)
Recognized in other comprehensive income	(1,080)	(186)	(1,266)
Contributions from the employer	-	(1,165)	(1,165)
Balance, December 31, 2023	$ 30,715	$ (20,829)	$ 9,886

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance, January 1, 2022	$ 29,441	$ (16,539)	$ 12,902
Service cost			
Current service cost	481	-	481
Net interest expense (income)	147	(86)	61
Recognized in profit or loss	628	(86)	542
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,309)	(1,309)
Actuarial gain - changes in financial assumptions	(272)	-	(272)
Actuarial loss - experience adjustments	1,173	-	1,173
Recognized in other comprehensive income	901	(1,309)	(408)
Contributions from the employer	-	(1,320)	(1,320)
Balance, December 31, 2022	$ 30,970	$ (19,254)	$ 11,716

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rates (%)	1.25	1.125
Expected rates of salary increase (%)	3.50	3.50

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	**2022**
Discount rate		
0.25% increase	$ (381)	$ (461)
0.25% decrease	$ 393	$ 475
Expected rate of salary increase/decrease		
0.25% increase	$ 377	$ 456
0.25% decrease	$ (368)	$ (445)

The above sensitivity analysis presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	**2022**
Expected contributions to the plan for the next year	$ 1,195	$ 1,231
Average duration of the defined benefit obligation	5 years	5.9 years

18. EQUITY

a. Ordinary shares

	December 31	
	2023	**2022**
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	119,802	119,802
Shares issued	$ 1,198,018	$ 1,198,018

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

Capital surplus that arises from shares issued in excess of par value may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

Capital surplus that arises from employee share options may not be used for any purpose.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as legal capital reserve at 10% of the remaining profit, until the accumulated legal capital reserve equals the Corporation's paid-in capital, then setting aside or reversing a special capital reserve in accordance with the laws and regulations, and then reserves equal or less than 6% of the remaining profit as cash dividend out of the remaining balance. Dividends can be distributed in the form of cash or share dividends, provided that the value of share dividends do not exceed two-thirds of the Corporation's dividends for the year. A distribution plan is proposed by the board of directors and approved by the shareholders in shareholders' meeting. Dividends distributed in whole or in part by cash can be approved by a board meeting that is attended by at least two-thirds of the board and approved by over one-half of the directors present, submitted to the shareholders' meeting. Approval by the shareholders is not necessary.

Policies on the distribution of compensation of employees and remuneration of directors under the Corporation's Articles, refer to compensation of employees and remuneration of directors in Note 19-c.

The legal capital reserve may be used to offset the Corporation's losses. If the Corporation is not operating at a loss and the legal capital reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or be distributed in the form of cash.

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2022	**2021**	**2022**	**2021**
Legal capital reserve	$ 32,727	$ 29,643		
Special capital reserve	3,867	-		
Cash dividends	119,802	119,802	$ 1	$ 1

The above 2022 and 2021 appropriations for cash dividends have been approved by the Corporation's board of directors on February 23, 2023 and February 24, 2022 respectively; the other proposed appropriations for 2022 and 2021 were also approved by the shareholders in the shareholders' meetings on May 30, 2023 and May 31, 2022 respectively.

The appropriations of earnings for 2023 proposed by the Corporation's board of directors on February 27, 2024 per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal capital reserve	$ 611	
Special capital reserve	(33)	
Cash dividends	11,980	$ 0.1

The appropriation of earnings for 2023 is subject to the resolution of the shareholders in their meeting to be held on May 30, 2024.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	**2022**
Interest on bank loans	$ 12,568	$ 11,872

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest	$ 3,603	$ 822
Capitalization rates (%)	1.62-1.97	1.01-1.83

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Other Operating income and expenses	Total
For the Year Ended December 31, 2023				
Short-term employee benefits				
Salary	$ 184,427	$ 317,583	$ -	$ 502,010
Labor and health insurance	19,995	27,524	-	47,519
Remuneration to directors	-	7,440	-	7,440
Post-employment benefits				
Defined contribution plans	8,250	14,252	-	22,502
Defined benefit plans (Note 17)	316	285	-	601
Other employee benefits	9,524	8,952	-	18,476
Depreciation expenses	113,554	31,221	15,176	159,951
Amortization expenses	330	9,254	-	9,584
For the Year Ended December 31, 2022				
Short-term employee benefits				
Salary	237,406	368,325	-	605,731
Labor and health insurance	23,223	26,040	-	49,263
Remuneration to directors	-	18,083	-	18,083
Post-employment benefits				
Defined contribution plans	9,249	12,702	-	21,951
Defined benefit plans (Note 17)	335	207	-	542
Other employee benefits	9,796	8,651	-	18,447
Depreciation expenses	104,218	36,889	13,897	155,004
Amortization expenses	591	10,225	-	10,816

As of 2023 and 2022, the Corporation had an average of 589 and 636 employees respectively. There were 6 directors who did not serve concurrently as employees for both years.

As of 2023 and 2022, the average employee benefits expense was $1,014 thousand and $1,105 thousand respectively; as of 2023 and 2022, the average employee salary was $861 thousand and $961 thousand respectively, representing a decline of 10%.

The Corporation did not appoint any supervisors in 2022 and 2023; therefore, there is no remuneration for supervisors.

The annual renumeration provided by the Corporation to employees is better than the industry average, and the salary of the new employees is higher than the minimum salary of the same area. Adhering to the principle of “Equal Work Equal Pay”, all staff are subject to performance assessments except for those under leave without pay. Through the performance review for the new-hires, quarterly appraisals, year-end evaluations, and project reviews, the Corporation encourages and rewards employees with outstanding contributions. Performance-based variable bonus for each individual is a key feature of the reward scheme. For example, those who involved in developing new technology that has brought profits for the Corporation will regularly receive bonuses, sharing the benefits enjoyed.

Executives of the Corporation are regarded as regular employees, being remunerated by salaries, as well as various cash rewards, bonus, and benefits based on the operation and profit status, taking into account the Corporation's operating results, the scope of responsibility, and the results of the annual performance evaluation. Policies for remuneration of managers is based on the Corporation’s “Salary Scale”, the “Remuneration Policy” and the scope of responsibilities for the position held in the Corporation, and the contribution to the Corporation’s operating performance, for the calculation of bonuses, year-end bonuses and other rewards.

The Corporation sets the remuneration procedures for directors based on “Policy on Director’s Performance Evaluation and Remuneration”, “Rules for Performance Evaluation of Board of Directors”. In addition to the Corporation’s overall operating performance, future risks and development trends of the industry, remuneration of the directors also based on the results from the performance evaluation and his/her contribution to the Corporation. The Proposal of remuneration is assessed by the Remuneration Committee and recommended to the board for resolution, based on the actual operating conditions and relevant regulations of the remuneration system to balance the Corporation’s sustainable operation and risk control measures.

c. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 4% of net profit before income tax, for compensation of employees and the remuneration of directors respectively. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, approved by the Corporation’s board of directors on February 27, 2024 and February 23, 2023, respectively, were as follows:

	For the Year Ended December 31			
	2023		2022	
Cash	**Accrual rate**	**Amount**	**Accrual rate**	**Amount**
Compensation of employees	32.10%	$ 1,000	5.14%	$ 21,847
Remuneration of directors	-	-	2.57%	10,923

Shall there be any change in the amounts after the annual parent corporation only financial statements authorized for issue, the differences are to be recorded as an adjustment to the prior-year accounting estimate of the next year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent corporation only financial statements for the years ended December 31, 2022 and 2021.

Further information on the compensation of employees and remuneration of directors resolved by the Corporation’s board of directors is available on the Market Observation Post System of the Taiwan Stock Exchange Website.

20. INCOME TAXES

a. Major components of income tax expense (benefit) recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 3,293	$ 38,094
Income tax of unappropriated earnings	7,292	4,241
Adjustments for prior years	(3,188)	1,973
	7,397	44,308
Deferred tax		
In respect of the current year	(10,383)	20,777
Income tax expense (benefit) recognized in profit or loss	$ (2,986)	$ 65,085

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	$ 423	$ 78,405
Non-deductible expenses in determining taxable income	144	274
Tax-exempt income	(161)	(123)
Income tax on unappropriated earnings	8,544	7,349
Investment tax credits used	(8,748)	(22,793)
Adjustments for prior years' tax	(3,188)	1,973
Income tax expense (benefit) recognized in profit or loss	$ (2,986)	$ 65,085

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ 1,910	$ 1,208
Remeasurement of defined benefit plans	(253)	(82)
	$ 1,657	$ 1,126

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation	$ 45,291	$ 11,735	$ -	$ 57,026
Defined benefit obligations	2,343	(112)	(253)	1,978
Provisions	105	3,155	-	3,260
Unrealized loss on foreign currency exchange	-	1,870	-	1,870
Financial liabilities at FVTPL	153	(153)	-	-
Exchange differences on translation of foreign operations	-	-	1,052	1,052
Others	-	2,896	-	2,896
	$ 47,892	$ 19,391	$ 799	$ 68,082
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 58,990	$ 10,254	$ -	$ 69,244
Unrealized gain on foreign currency exchange	1,246	(1,246)	-	-
Exchange differences on translation of foreign operations	858	-	(858)	-
	$ 61,094	$ 9,008	$ (858)	$ 69,244

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation	$ 43,464	$ 1,827	$ -	$ 45,291
Defined benefit obligations	2,580	(155)	(82)	2,343
Provisions	1,099	(994)	-	105
Unrealized loss on foreign currency exchange	700	(700)	-	-
Financial liabilities at FVTPL	-	153	-	153
	$ 47,843	$ 131	$ (82)	$ 47,892

(Continued)

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 39,328	$ 19,662	$ -	$ 58,990
Unrealized gain on foreign currency exchange	-	1,246	-	1,246
Exchange differences on translation of foreign operations	2,066	-	(1,208)	858
	$ 41,394	$ 20,908	$ (1,208)	$ 61,094

(Concluded)

d. Unused investment credits for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2023	2022
Investment credits		
Research and development	$ 41,196	$ -

e. Income tax assessments

The tax returns of the Corporation through 2021 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net Profit	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2023			
Basic earnings per share			
Profit for the year	$ 5,101	119,802	$ 0.04
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	54	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	$ 5,101	119,856	$ 0.04
For the Year Ended December 31, 2022			
Basic earnings per share			
Profit for the year	$ 326,942	119,802	$ 2.73
Effect of potentially dilutive ordinary shares			
Compensation of employees	-	340	
Diluted earnings per share			
Profit for the year plus effect of potentially dilutive ordinary shares	$ 326,942	120,142	$ 2.72

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Corporation entered into the following non-cash investing and financing activities which were not reflected in the statements of cash flows for the years ended December 31, 2023 and 2022.

Cash paid for acquisition of property, plant and equipment for the year ended December 31, 2023 and 2022 which were as follows:

	2023	**2022**
Increase in property, plant and equipment	$ 484,419	$ 46,898
Decrease (increase) in payables for purchases of building and equipment	(187,319)	1,681
	$ 297,100	$ 48,579

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	Short-term Bank loans	**Long-term Bank loans**
Balance, January 1, 2023	$ 80,000	$ 694,427
Net financing cash flows	20,000	267,459
Non-cash changes		
Adjustments for government subsidy	-	(241)
Balance, December 31, 2023	$ 100,000	$ 961,645

For the year ended December 31, 2022

	Short-term Bank loans	**Long-term Bank loans**
Balance, January 1, 2022	$ -	$ 932,068
Net financing cash flows	80,000	(237,704)
Non-cash changes		
Adjustments for government subsidy	-	63
Balance, December 31, 2022	$ 80,000	$ 694,427

23. CAPITAL MANAGEMENT

To support the needs for expansion and upgrade of its plant and equipment, the Corporation has to maintain an appropriate amount of capital. Therefore, the Corporation manages its capital to ensure it has the necessary financial resources and operating plan to support the required operating funds, capital expenditures, research and development expenses, debt repayment and dividend payments in the next 12 months to achieve an overall balanced capital structure.

The Corporation’s management reviews the capital structure of the Corporation periodically, considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the overall capital structure is balanced by adjusting the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

1) Short-term financial instruments’ estimated fair value is based on the book value on the balance sheet. These financial instruments are very close to the expiration date; therefore, the book value is a reasonable basis for the estimation of fair value. This method is applicable to cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term bank loans, notes payable, trade payables and other payable.

2) Long-term bank loans’ estimated fair value is based on the anticipated cash flow discounted at the long-term interest rate that is available to the Corporation under similar conditions. The Corporation’s long- term bank loans rate is floating and the book value is equal to its fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Corporation’s financial liabilities at FVTPL are measured at fair value using Level 2 inputs, and the financial assets at FVTOCI are measured at fair value using Level 1 inputs.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
Financial assets at amortized cost (1)	$ 650,341	$ 691,471
Financial assets at FVTOCI		
Equity instruments	34,352	26,678
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	-	763
Financial liabilities at amortized cost (2)	1,722,399	1,338,816

1) The balances included cash and cash equivalents, notes receivable, trade receivables (including from related parties), financial assets at amortized cost, other receivables and refundable deposits.

2) The balances included short-term bank loans, notes payable, trade payables, other payables and long-term bank loans.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, trade receivables, trade payables and bank loans. The Corporation's corporate treasury function manages the financial risks relating to the operations of the Corporation. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Material treasury activities are reviewed by the audit committee and the board of directors in accordance with relevant regulations and internal control policies.

1) Market risk

The financial risks that the Corporation's operating activities are exposed to is primarily the risks of changes in foreign currency exchange rates and changes in interest rates.

a) Foreign currency risk

The Corporation conducts foreign-currency denominated sales and purchases, which creates exposure to foreign currency risk. Exchange rate risk exposures are managed by utilizing foreign exchange forward contracts, the anticipated cash flow of accounts receivable and trade payables offsets, or adjustment of foreign deposits, within approved policy parameters.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation was mainly exposed to the USD, EUR, JPY and RMB.

The sensitivity analysis used when reporting foreign currency risk internally to the executives mainly focuses on foreign currency denominated monetary items at the end of the reporting period. When the NTD had appreciated by 1% against the relevant foreign currencies, the post-tax profit for the years ended December 31, 2023 and 2022 would have decreased by $2,382 thousand and by $3,085 thousand respectively.

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrowed funds with interests at both fixed and floating rates. The Corporation partially offsets the risk by keeping cash and cash equivalents at floating rate, and partially by comparing interest rates from different financial institutions and selecting the best one to manage the interest rate risk.

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

	December 31	
	2023	**2022**
Fair value interest rate risk		
Deposits in bank	$ -	$ 15,355
Long-term bank loans	214,305	124,356
Cash flow interest rate risk		
Deposits in bank	175,912	186,276
Short-term bank loans	100,000	80,000
Long-term bank loans	747,340	570,071

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year remained outstanding. A 1% increase or decrease is used when reporting interest rate risk internally to the executives and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher with all other variables held constant, the Corporation's post-tax profit for the years ended December 31, 2023 and 2022 would have decreased by $5,371 thousand and $3,710 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Corporation. As of the end of the reporting period, the counterparties of the Corporation are all creditworthy, no significant credit risk is expected.

The counterparties of the Corporation's trade receivables cover a large number of customers across diverse industries and hence the credit risk is not as highly concentrated.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a sufficient level of cash and cash equivalents adequate to finance the Corporation's operations and to mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants.

The Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2023 and 2022, the Corporation's available unutilized bank loan facilities of $2,011,410 thousand and $2,031,420 thousand, respectively.

The following table details the Corporation's remaining contractual obligations for its financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Less Than 1 Year	1-5 Years	More Than 5 Years
December 31, 2023			
Non-derivative financial liabilities			
Non-interest bearing	$ 552,865	$ -	$ -
Fixed interest rate liabilities	71,677	142,628	-
Floating interest rate liabilities	171,507	275,750	400,083
	$ 796,049	$ 418,378	$ 400,083
December 31, 2022			
Non-derivative financial liabilities			
Non-interest bearing	$ 382,032	$ -	$ -
Fixed interest rate liabilities	14,350	110,006	-
Floating interest rate liabilities	152,731	275,007	222,333
	$ 549,113	$ 385,013	$ 222,333
Derivative financial liabilities			
Foreign currency forward contracts	$ 763	$ -	$ -

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
December 31, 2023					
Fixed interest rate liabilities	$ 71,677	$ 142,628	$ -	$ -	$ -
Floating interest rate liabilities	171,507	275,750	250,083	83,333	66,667
	$ 243,184	$ 418,378	$ 250,083	$ 83,333	$ 66,667
December 31, 2022					
Fixed interest rate liabilities	$ 14,350	$ 110,006	$ -	$ -	$ -
Floating interest rate liabilities	152,731	275,007	222,333	-	-
	$ 167,081	$ 385,013	$ 222,333	$ -	$ -

25. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Corporation and other related parties are disclosed as follows:

a. Related party name and categories

Related Party	Relationship with the Group
Mega-Fabs	Subsidiary
Hiwin Technologies Corporation (Hiwin Technologies)	Other related party
Hiwin Corporation, U.S.A. (Hiwin USA)	Other related party
Hiwin Corporation, Japan (Hiwin Japan)	Other related party
Hiwin GmbH (Hiwin Germany)	Other related party
Hiwin Singapore Pte. Ltd. (Hiwin Singapore)	Other related party
Hiwin Technologies (China) Corporation (Hiwin China)	Other related party
Matrix Precision Co., Ltd. (Matrix Precision)	Other related party
Hiwin S.R.L. (Hiwin Italy)	Other related party
Hiwin Corporation (Hiwin Korea)	Other related party
Hiwin (Schweiz) GmbH (Hiwin Schweiz)	Other related party
Suzhou Matrix Precision Machinery Co., Ltd. (Suzhou Matrix)	Other related party

b. Operating transactions

	For the Year Ended December 31	
	2023	2022
1) Sales of goods		
Other related parties		
Hiwin Germany	$ 190,392	$ 417,234
Others	485,888	573,277
Subsidiary	2,391	7,032
	$ 678,671	$ 997,543

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable, price and terms were determined in accordance with mutual agreements. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing.

Credit terms for the related parties are as follows:

Related Party Category	Terms
Other related party	O/A 90-150 days and 90 days after the end of the month
Subsidiary	O/A 30 days

	For the Year Ended December 31	
	2023	2022
2) Purchases of goods		
Other related parties	$ 53,261	$ 103,063
Subsidiary	25,399	41,850
	$ 78,660	$ 144,913

The products purchased from related parties and those from third parties are not the same; therefore, their prices are not comparable. Payment terms are as follows:

Related Party Category	Terms
Other related party	O/A 90-120 days and 60-90 days after the end of the month
Subsidiary	O/A 30 days

3) Other income (classified as subtraction of cost of goods sold)

	For the Year Ended December 31	
	2023	2022
Other related parties	$ 32,710	$ -

4) Other operating transactions

	2023	2022
Manufacturing and operating expenses		
Subsidiary	$ 5,049	$ 5,297
Other related parties	2,331	3,928
	$ 7,380	$ 9,225
Non-operating income - rental income (classified as other income)		
Hiwin Technologies	$ 19,390	$ 17,859

Rental income represented the lease rates of the Corporation’s factory in accordance with the lease agreements and were based on rents of similar factories in the vicinity. The rents were paid monthly.

	For the Year Ended December 31	
	2023	2022
Non-operating income - dividend income (classified as other income)		
Hiwin Technologies	$ 804	$ 617

	For the Year Ended December 31	
	2023	2022
Non-operating income - other income (classified as other income)		
Other related parties		
Hiwin Technologies	$ 4,517	$ 11,657
Matrix Precision	3,446	1,824
	$ 7,963	$ 13,481
Non-operating income - other expenses (classified as other expenses)		
Matrix Precision	$ 2,880	$ -

	December 31	
	2023	2022
5) Notes receivable		
Other related parties	$ 365	$ -
6) Trade receivables		
Other related parties		
Hiwin Technologies	$ 53,373	$ 58,879
Hiwin USA	34,045	19,770
Hiwin Japan	13,194	51,343
Hiwin Germany	-	99,331
Others	26,574	52,683
	$ 127,186	$ 282,006
7) Other receivables		
Other related parties		
Hiwin Technologies	$ 38,091	$ 2,710
Others	171	27
	$ 38,262	$ 2,737
8) Prepayments for purchases of goods (classified as other current assets)		
Other related parties	$ 13	$ -
9) Prepayments for machinery and equipment		
Other related parties	$ -	$ 688
10) Trade payables		
Subsidiary	$ 2,088	$ 4,752
Other related parties	432	-
	$ 2,520	$ 4,752

	December 31	
	2023	2022
11) Other payables		
Subsidiary	$ 34,678	$ -
Other related parties	977	956
	$ 35,655	$ 956
12) Guarantee deposits received (classified as other non-current liabilities)		
Hiwin Technologies	$ 1,616	$ 1,616

c. Transaction of property, plant and equipment

1) Acquisition of property, plant and equipment

	Purchase Price For the Year Ended December 31	
	2023	2022
Other related parties	$ 2,167	$ 3,827

2) Disposal of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain or Loss Disposal For the Year Ended December 31	
	2023	2022	2023	2022
Other related parties	$ 985	$ 645	$ (110)	$ 40

d. Acquisition of intangible assets

	Purchase Price For the Year Ended December 31	
	2023	2022
Other related parties	$ -	$ 625

e. Endorsements and guarantees

Endorsements and guarantees given by related parties

Related Party Name	December 31 2023	December 31 2022
Matrix Precision		
Amount endorsed	$ 288,000	$ 288,000
Amount utilized (classified as bank loans)	$ -	$ -

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	$ 39,566	$ 64,889
Post-employment benefits	651	622
	$ 40,217	$ 65,511

The remuneration of directors and key executives was determined in accordance with the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for bank loans:

	December 31	
	2023	2022
Property, plant and equipment	$ 2,813,078	$ 2,142,737

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2023 and 2022, commitment for the acquisition of property, plant and equipment amounted to $473,176 thousand and $945,756 thousand, respectively.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 7,465	30.71	$ 229,218	$ 4,181	30.71	$ 128,388
RMB	21,629	4.33	93,590	20,286	4.41	89,421
EUR	1,114	33.98	37,869	4,347	32.72	142,229
JPY	93,684	0.22	20,348	256,873	0.23	59,697
Non-monetary items						
ILS	42,908	8.47	363,243	36,813	8.73	321,268

(Continued)

	December 31, 2023			December 31, 2022		
	Foreign Currency	**Exchange Rate**	**Carrying Amount**	**Foreign Currency**	**Exchange Rate**	**Carrying Amount**
Financial liabilities						
Monetary items						
USD	$ 405	30.71	$ 12,422	$ 495	30.71	$ 15,193
RMB	7,216	4.33	31,224	2,738	4.41	12,070
EUR	1,127	33.98	38,298	82	32.72	2,671
JPY	6,163	0.22	1,339	17,716	0.23	4,117

(Concluded)

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Gain (Loss)**	**Exchange Rate**	**Net Foreign Exchange Gain**
USD	31.16	$ (3,790)	29.81	$ 23,984
EUR	33.70	7,587	31.36	12,815
RMB	4.40	432	4.42	4,524
JPY	0.22	(2,350)	0.23	1,444
GBP	38.74	29	36.80	50
		$ 1,908		$ 42,817

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Notes 8 and 9)

4) Marketable securities acquired or disposed of at costs of prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (Notes 7 and 24)

10) Information on investees. (Table 3)

b. Information on investment in mainland China. (None)

c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Year (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Matrix Precision	Other related party	$ 489,000	$ 489,000	$ 489,000	$ 232,501	$ -	12.9%	$ 1,324,986	-	-	-

Note 1: The limit on the endorsements/guarantees provided for a single enterprise is 10% of the Corporation’s net assets as shown in its most recent parent corporation only financial statements. For mutual endorsements/guarantees provided by joint builders based on contract, the amount of endorsements/guarantees is not subject to the foregoing limitations; however, it must not exceed the amount of mutual endorsements/guarantees based on contract and 50% of the Corporation's net assets in its most recent parent corporation only financial statements.

Note 2: The aggregate endorsement/guarantee limit is 35% of the Corporation’s net assets as shown in its latest parent corporation only financial statements.

Note 3: The ending balance has been approved by the board of directors.

TABLE 2

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Hiwin Germany	Other related party	Sale	$ 190,392	10%	O/A 90 days	$ -	-	$ -	-	
	Hiwin Technologies	Other related party	Sale	170,960	9%	90 days after the end of the month	-	-	53,373	13%	

TABLE 3

HIWIN MIKROSYSTEM CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income of the Investee	Share of Profit	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Corporation	Mega-Fabs	Israel	Research, manufacture and sale of drivers and controllers	$ 63,650	$ 63,650	360,000	60	$ 407,778	$ 85,878	$ 51,267	Subsidiary

TABLE 4

HIWIN MIKROSYSTEM CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Chuo, Shou-Yeu	22,395,630	18.69%
Hiwin Technologies Corporation	9,525,676	7.95%
Hiwin Investment Corporation	6,592,991	5.50%

Note 1: The information on major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the parent corporation only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder transfers his/hers shareholdings to a trust, the above information will be disclosed by the individual trustor who opened the trust account. Shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Securities and Exchange Act, the shareholdings disclosed include shares held by shareholders and those transferred to the trusts over which the shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand			
NTD			$ 713
Foreign currencies			399
			1,112
Cash in banks			
Checking accounts			10,438
Demand deposits			106,299
Foreign deposits			
USD	1,119	30.71	34,371
RMB	4,587	4.33	19,847
EUR	236	33.98	8,002
JPY	32,640	0.22	7,089
GBP	8	39.15	304
			186,350
			$ 187,462

STATEMENT 2

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Company B0667	$ 89,662
Company B0462	37,636
Company B0700	14,973
Company B0528	14,603
Others (Note)	127,832
	284,706
Less: Allowance for impairment loss	-
	$ 284,706

Note: The balance of individual client comprised in others does not exceed 5% of the total account balance.

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount	Market Price (Note 1)
Merchandise	$ 323	$ 540
Finished goods	143,065	226,590
Work in process	197,229	381,011
Raw materials and supplies	566,576	826,611
	$ 907,193	$ 1,434,752

Note 1: Inventories are stated at the lower of cost or net realizable value.

Note 2: Inventories have not been assigned as collateral.

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2023		Additions		Decrease		Balance, December 31, 2023		
Investee	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	Collateral
Hiwin Technologies	146,180	$ 26,678	-	$ 7,674	-	$ -	146,180	$ 34,352	None

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investee	Balance, January 1, 2023		Share of Profit of Subsidiaries Accounted for Using the Equity Method	Exchange Differences on Translating of Foreign Operations	Balance, December 31, 2023		Net Equity Value	Original Investment Cost December 31, 2023	Collateral
	Ownership (%)	Amount			Ownership (%)	Amount			
Investments in subsidiaries									
Mega-Fabs	60	$ 366,062	$ 51,267	$ (9,551)	60	$ 407,778	$ 363,243	$ 63,650	Nil

STATEMENT 6

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF SHORT-TERM BANK LOANS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Type	Maturity Date (Note)	Interest Rates (%)	Amount
Credit loans			
The Export-Import Bank of the Republic of China, Taichung Branch	2024.4.26	1.79	$ 100,000

Note: The maturity date is the last maturity date of multiple loans.

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	$ 16,815
Others (Note)	276,239
	$ 293,054

Note: The balance of individual vendor in others does not exceed 5% of the total account balance.

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF LONG-TERM BANK LOANS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Type	Loan Period	Repayment	Interest Rate (%)	Current Portion	Non-Current Portion	Total
Secured loan						
Bank of Taiwan, Taichung Industrial Park Branch	2012.12.10-2027.12.10	Repayable monthly from January 10, 2016 in 144 installments	1.99	$ 12,250	$ 36,750	$ 49,000
Bank of Taiwan, Taichung Industrial Park Branch	2016.12.14-2031.12.14	Repayable monthly from December 14, 2019 in 144 installments	1.96	23,334	163,333	186,667
Bank of Taiwan, Taichung Industrial Park Branch	2016.12.19-2031.12.19	Repayable monthly from December 19, 2019 in 144 installments	1.96	32,250	225,750	258,000
Bank of Taiwan, Taichung Industrial Park Branch	2019.9.18-2024.9.18	Repayable monthly from October 18, 2019 in 60 installments	1.86	3,673	-	3,673
Taiwan Cooperative Bank, Hsinchu Science-based Industrial Park Branch	2023.12.28-2042.12.31	Repayable monthly from January 31, 2028 in 180 installments	1.80	-	250,000	250,000
				71,507	675,833	747,340
Unsecured loan						
Chang Hwa Commercial Bank, Hsitun Branch	2020.8.24-2027.8.15	Repayable monthly from September 15, 2023 in 48 installments	1.22	7,500	19,779	27,279
Taiwan Cooperative Bank, Jhongsing Branch	2020.10.16-2027.10.15	Repayable monthly from November 15, 2023 in 48 installments	1.25	10,000	27,999	37,999
Bank of Taiwan, Taichung Industrial Park Branch	2020.10.16-2027.10.15	Repayable monthly from November 15, 2023 in 48 installments	1.25	29,135	81,541	110,676
Taipei Fubon Commercial Bank, Zhonggang Branch	2020.8.3-2025.8.3	Repayable monthly from August 15, 2022 in 36 installments	1.32	20,442	11,798	32,240
The Export-Import Bank of the Republic of China, Taichung Branch	2020.5.15-2025.4.15	Repayable monthly from May 15, 2023 in 24 installments	1.15	4,600	1,511	6,111
				71,677	142,628	214,305
				$ 143,184	$ 818,461	$ 961,645

Note: Property, plant and equipment of the Corporation have been pledged as collateral in the amount of $2,813,078 thousand for bank loans.

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Shipments (In thousands of units)	Amount
Precision motion and control parts	224,840 PCS	$ 997,566
Micro and nano-positioning systems	2,871 PCS	907,647
Others		24,284
		1,929,497
Less: Sales return		(55,356)
Sales discount		(7)
Sales		$ 1,874,134

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount	
Raw materials and supplies, beginning of year	$ 807,604	
Raw materials and supplies purchased	761,385	
Sale of raw materials and supplies	(13,809)	
Raw materials and supplies, end of year	(744,306)	
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment	(54,727)	
Other adjustment	13,975	
Raw materials and supplies used		$ 770,122
Direct labor		135,499
Manufacturing expenses		410,414
Manufacturing cost		1,316,035
Work in process, beginning of year		301,881
Work in process purchased		63,245
Sale of work in process		(312,811)
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment		(18,119)
Work in process, end of year		(270,216)
Cost of finished goods		1,080,015
Finished goods, beginning of year		109,891
Finished goods, end of year		(177,314)
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment		(21,783)
Cost of goods sold		990,809
Merchandise, beginning of year	552	
Merchandise purchased	663	
Transferred to manufacturing expense, operating expense and prepayments for machinery and equipment	(289)	
Other adjustment	(412)	
Merchandise, end of year	(486)	
Cost of merchandise sold		28
Cost of raw materials and supplies sold		13,809
Cost of work in process sold		312,811
Inventory write-downs		25,964
Maintenance and warranty expense		41,338
Revenue from sale of scraps		(1,815)
Operating costs		$ 1,382,944

HIWIN MIKROSYSTEM CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and related expense	$ 78,192	$ 127,329	$ 170,515	$ 376,036
Depreciation expense	4,373	12,483	14,365	31,221
Material for research and development	-	-	17,986	17,986
Others	54,065	44,672	22,674	121,411
Total	$ 136,630	$ 184,484	$ 225,540	$ 546,654

HIWIN MIKROSYSTEM CORP.

Chairman: Chou Shou-yeu