

Macronix International Co., Ltd.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Macronix International Co., Ltd.

Opinion

We have audited the accompanying financial statements of Macronix International Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows:

Valuation of inventory

The Company manufactures and sells ROM products, NOR Flash, and NAND Flash, which are widely used in consumer electronic devices. As of December 31, 2022, inventory was NT\$14,662,778 thousand, accounting for 18% of the total assets. With the rapid changes in technology development and the improvements in manufacturing processes and skills, market demand for memory chip could change significantly and result in inventory obsolescence. Since inventory valuation and estimates of net realizable value of inventory are subject to management's

judgment, they are considered as accounting estimates with relatively high uncertainty. Therefore, valuation of inventory has been identified as a key audit matter. Refer to Notes 4(e), 5(a) and 9 to the financial statements for the details of accounting policy, accounting judgment, key sources of estimation uncertainty and the related information about the valuation of inventory.

Our audit procedures performed in respect of the above area included the following:

1. We acknowledged and assessed the adequacy of the policy and procedures for the inventory valuation adopted by the management.
2. We obtained data on the assessment of inventory at the lower of cost or net realizable value made sampling to test the reasonableness of net realizable value by comparing inventory carrying amounts to recent selling prices; we tested the reasonableness of allowance for inventory loss by comparing net realizable value with carrying amounts. We obtained the inventory aging report, and we tested the accuracy and completeness of the report by agreeing the age interval, quantity and amount to the supporting documents of inbound inventory. We assessed the reasonableness of allowance for inventory loss by recalculating the amount in accordance with the stated valuation policy for the inventory.
3. We performed a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung Hui Yeh and Kuo Tyan Hong.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 14, 2023

Notice to Readers

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

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

MACRONIX INTERNATIONAL CO., LTD.

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

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 17,869,009	21	\$ 16,199,817	21
Notes receivable and trade receivables, net (Notes 4, 8 and 30)	3,387,494	4	4,639,208	6
Receivables from related parties, net (Notes 4, 30 and 31)	1,240,699	2	2,788,113	4
Other receivables (Notes 4, 8, 25, 30 and 31)	220,557	-	359,611	1
Inventories (Notes 4, 5 and 9)	14,662,778	18	13,134,844	17
Other current assets (Note 15)	<u>185,051</u>	<u>-</u>	<u>180,189</u>	<u>-</u>
Total current assets	<u>37,565,588</u>	<u>45</u>	<u>37,301,782</u>	<u>49</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 7 and 30)	2,341,449	3	2,493,384	3
Investments accounted for using equity method (Notes 4 and 10)	3,447,021	4	2,927,848	4
Property, plant and equipment (Notes 4, 11, 16, 28, 32 and 33)	37,529,981	45	31,792,537	42
Right-of use assets(Notes 4 and 12)	708,604	1	751,927	1
Intangible assets (Notes 4 and 13)	124,699	-	95,108	-
Deferred tax assets (Notes 4 and 25)	849,915	1	644,213	1
Other financial assets - non-current (Notes 4, 14, 30 and 32)	760,842	1	212,295	-
Other non-current assets (Note 15)	<u>333,147</u>	<u>-</u>	<u>333,147</u>	<u>-</u>
Total non-current assets	<u>46,095,658</u>	<u>55</u>	<u>39,250,459</u>	<u>51</u>
TOTAL	<u>\$ 83,661,246</u>	<u>100</u>	<u>\$ 76,552,241</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 23)	\$ 17,883	-	\$ 34,963	-
Notes payable and trade payables (Notes 17 and 30)	2,585,373	3	3,403,530	5
Payables to related parties (Notes 30 and 31)	2,742,156	3	4,509,196	6
Accrued compensation of employees and remuneration of directors (Notes 24, 30 and 31)	3,121,948	4	3,134,490	4
Payables for purchases of equipment (Note 30)	996,042	1	755,900	1
Other payables (Notes 18 and 30)	1,404,379	2	1,619,880	2
Other payables to related parties (Notes 30 and 31)	89,494	-	157,772	-
Current tax liabilities (Notes 4 and 25)	1,387,619	2	640,237	1
Provisions - current (Notes 4 and 20)	3,903	-	3,282	-
Lease liabilities - current (Notes 4 and 12)	63,094	-	63,287	-
Current portion of long-term borrowings (Notes 4, 16, 28, 30 and 32)	3,683,542	4	3,094,739	4
Other current liabilities (Note 19)	<u>365,623</u>	<u>1</u>	<u>337,162</u>	<u>-</u>
Total current liabilities	<u>16,461,056</u>	<u>20</u>	<u>17,754,438</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 16, 28, 30 and 32)	11,970,314	14	9,250,335	12
Deferred tax liabilities (Notes 4 and 25)	755,937	1	644,213	1
Lease liabilities - non-current (Notes 4 and 12)	667,577	1	706,487	1
Net defined benefit liabilities (Notes 4 and 21)	1,073,550	1	1,405,996	2
Other non-current liabilities (Notes 4, 19 and 28)	<u>123,113</u>	<u>-</u>	<u>65,981</u>	<u>-</u>
Total non-current liabilities	<u>14,590,491</u>	<u>17</u>	<u>12,073,012</u>	<u>16</u>
Total liabilities	<u>31,051,547</u>	<u>37</u>	<u>29,827,450</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 22 and 27)				
Share capital				
Ordinary shares	18,558,543	22	18,560,178	24
Share capital to be cancelled	<u>(264)</u>	<u>-</u>	<u>(410)</u>	<u>-</u>
Total share capital	<u>18,558,279</u>	<u>22</u>	<u>18,559,768</u>	<u>24</u>
Capital surplus	<u>402,710</u>	<u>1</u>	<u>399,210</u>	<u>1</u>
Retained earnings				
Legal reserve	3,426,358	4	2,271,266	3
Special reserve	76,492	-	291,361	-
Unappropriated earnings	<u>29,304,449</u>	<u>35</u>	<u>24,532,500</u>	<u>32</u>
Total retained earnings	<u>32,807,299</u>	<u>39</u>	<u>27,095,127</u>	<u>35</u>
Other equity	<u>1,000,472</u>	<u>1</u>	<u>829,747</u>	<u>1</u>
Treasury shares	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>
Total equity	<u>52,609,699</u>	<u>63</u>	<u>46,724,791</u>	<u>61</u>
TOTAL	<u>\$ 83,661,246</u>	<u>100</u>	<u>\$ 76,552,241</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

MACRONIX INTERNATIONAL CO., LTD.

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

	2022		2021	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 23 and 31)	\$ 42,509,017	100	\$ 49,598,199	100
OPERATING COSTS (Notes 4, 9, 21, 24 and 31)	<u>24,236,828</u>	<u>57</u>	<u>29,509,886</u>	<u>59</u>
GROSS PROFIT	18,272,189	43	20,088,313	41
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>5,478</u>	<u>-</u>	<u>(20,298)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>18,277,667</u>	<u>43</u>	<u>20,068,015</u>	<u>41</u>
OPERATING EXPENSES (Notes 4, 21, 24 and 31)				
Selling and marketing expenses	1,070,514	2	1,117,311	2
General and administrative expenses	2,145,883	5	2,570,991	5
Research and development expenses	<u>5,919,299</u>	<u>14</u>	<u>5,677,962</u>	<u>12</u>
Total operating expenses	<u>9,135,696</u>	<u>21</u>	<u>9,366,264</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>9,141,971</u>	<u>22</u>	<u>10,701,751</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	101,764	-	17,689	-
Other income (Notes 4, 7, 12, 24 and 28)	295,627	1	155,627	-
Other gains and losses (Note 24)	697,265	1	(162,561)	-
Gains on disposal of property, plant and equipment (Notes 4, 11 and 24)	-	-	2,505,176	5
Finance costs (Notes 4, 24 and 28)	(206,143)	(1)	(232,632)	(1)
Share of profit of subsidiaries, associates and joint ventures (Notes 4 and 10)	<u>232,917</u>	<u>1</u>	<u>276,449</u>	<u>1</u>
Total non-operating income and expenses	<u>1,121,430</u>	<u>2</u>	<u>2,559,748</u>	<u>5</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	10,263,401	24	13,261,499	27
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(1,293,626)</u>	<u>(3)</u>	<u>(1,298,547)</u>	<u>(3)</u>
NET INCOME FOR THE YEAR	<u>8,969,775</u>	<u>21</u>	<u>11,962,952</u>	<u>24</u>

(Continued)

MACRONIX INTERNATIONAL CO., LTD.

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 83,155	-	\$ (153,365)	-
Unrealized gain on investments in equity instruments at FVTOCI (Notes 22 and 30)	(151,935)	-	714,340	1
Share of other comprehensive gain of subsidiaries accounted for using the equity method	(78,830)	-	230,165	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	<u>356,086</u>	<u>1</u>	<u>(112,962)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>208,476</u>	<u>1</u>	<u>678,178</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 9,178,251</u>	<u>22</u>	<u>\$ 12,641,130</u>	<u>25</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 4.85</u>		<u>\$ 6.48</u>	
Diluted	<u>\$ 4.68</u>		<u>\$ 6.25</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

MACRONIX INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Share Capital			Capital Surplus	Retained Earnings			Other Equity				
	Shares (In Thousands)	Ordinary Shares	Share Capital to be Cancelled		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unearned Compensation of Employees	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2021	1,856,302	\$ 18,563,017	\$ (1,153)	\$ 384,772	\$ 1,741,857	\$ 621,195	\$ 15,408,584	\$ (386,090)	\$ 171,026	\$ (150,555)	\$ (159,061)	\$ 36,193,592
Legal reserve	-	-	-	-	529,409	-	(529,409)	-	-	-	-	-
Special reserve	-	-	-	-	-	(329,834)	329,834	-	-	-	-	-
Cash dividends distributed by the Company - \$1.20 per share	-	-	-	-	-	-	(2,227,424)	-	-	-	-	(2,227,424)
Net income for the year ended December 31, 2021	-	-	-	-	-	-	11,962,952	-	-	-	-	11,962,952
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(153,365)	(112,962)	944,505	-	-	678,178
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	11,809,587	(112,962)	944,505	-	-	12,641,130
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(258,672)	-	258,672	-	-	-
Compensation cost of restricted shares for employees	-	-	-	9,994	-	-	-	-	-	105,151	-	115,145
Retirement of restricted shares for employees	(284)	(2,839)	743	2,096	-	-	-	-	-	-	-	-
Dividends paid to subsidiaries to adjust capital surplus	-	-	-	2,348	-	-	-	-	-	-	-	2,348
BALANCE AT DECEMBER 31, 2021	1,856,018	18,560,178	(410)	399,210	2,271,266	291,361	24,532,500	(499,052)	1,374,203	(45,404)	(159,061)	46,724,791
Legal reserve	-	-	-	-	1,155,092	-	(1,155,092)	-	-	-	-	-
Special reserve	-	-	-	-	-	(214,869)	214,869	-	-	-	-	-
Cash dividends distributed by the Company - \$1.80 per share	-	-	-	-	-	-	(3,340,758)	-	-	-	-	(3,340,758)
Net income for the year ended December 31, 2022	-	-	-	-	-	-	8,969,775	-	-	-	-	8,969,775
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	83,155	356,086	(230,765)	-	-	208,476
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	9,052,930	356,086	(230,765)	-	-	9,178,251
Compensation cost of restricted shares for employees	-	-	-	(1,511)	-	-	-	-	-	45,404	-	43,893
Retirement of restricted shares for employees	(164)	(1,635)	146	1,489	-	-	-	-	-	-	-	-
Dividends paid to subsidiaries to adjust capital surplus	-	-	-	3,522	-	-	-	-	-	-	-	3,522
BALANCE AT DECEMBER 31, 2022	1,855,854	\$ 18,558,543	\$ (264)	\$ 402,710	\$ 3,426,358	\$ 76,492	\$ 29,304,449	\$ (142,966)	\$ 1,143,438	\$ -	\$ (159,061)	\$ 52,609,699

The accompanying notes are an integral part of the parent company only financial statements.

MACRONIX INTERNATIONAL CO., LTD.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,263,401	\$ 13,261,499
Adjustments for:		
Depreciation expense	4,424,294	4,190,129
Amortization expense	64,896	43,860
Expected credit loss reversed on trade receivables	-	(63)
Finance costs	206,143	232,632
Interest income	(101,764)	(17,689)
Dividend income	(151,552)	(118,914)
Compensation cost of employee restricted shares	43,893	115,145
Share of gain of subsidiaries and associates	(232,917)	(276,449)
Loss (gain) on disposal of property, plant and equipment	5,281	(2,566,139)
Unrealized gain on transactions with associates and joint ventures	(5,478)	20,298
Net loss on foreign currency exchange	571,513	263,506
Gain from lease modifications	(356)	(2,213)
Amortization of government grants deferred revenue	(12,420)	(1,357)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	1,199,916	(1,754,057)
Receivables from related parties	1,586,487	(482,755)
Other receivables	(2,892)	(72,588)
Inventories	(1,527,934)	(222,827)
Prepayments	-	(333,147)
Other current assets	(4,862)	(80,636)
Contract liabilities	(17,080)	(52,192)
Notes payable and trade payables	(811,011)	461,598
Payables to related parties	(2,078,954)	653,355
Payables for compensation of employees and remuneration of directors	(12,542)	1,730,866
Other payables	(181,744)	259,513
Other payables to related parties	(72,225)	23,156
Provisions	621	(1)
Other current liabilities	20,621	172,612
Net defined benefit liabilities	(249,291)	(178,522)
Cash generated from operations	12,924,044	15,268,620
Interest received	73,625	14,099
Dividends received	151,552	118,914
Interest paid	(237,697)	(238,073)
Income tax paid	(643,702)	(37,277)
Net cash generated from operating activities	<u>12,267,822</u>	<u>15,126,283</u>
		(Continued)

MACRONIX INTERNATIONAL CO., LTD.

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

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investment properties	\$ -	\$ (30,000)
Payments for property, plant and equipment	(9,859,800)	(4,696,428)
Proceeds from disposal of property, plant and equipment	173,780	2,415,981
Increase in refundable deposits	(549,596)	-
Decrease in refundable deposits	10	67
Payments for intangible assets	(94,487)	(84,339)
Decrease (increase) in other financial assets	<u>1,045</u>	<u>(50,603)</u>
Net cash used in investing activities	<u>(10,329,048)</u>	<u>(2,445,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	6,357,000	3,330,000
Repayments of long-term borrowings	(2,988,903)	(7,077,225)
Proceeds from guarantee deposits received	26,777	2,094
Refund of guarantee deposits received	(17,926)	(177,656)
Repayment of leased liabilities	(76,079)	(82,504)
Distribution of cash dividends	<u>(3,340,758)</u>	<u>(2,227,424)</u>
Net cash used in financing activities	<u>(39,889)</u>	<u>(6,232,715)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(229,693)</u>	<u>(545,894)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,669,192	5,902,352
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,199,817</u>	<u>10,297,465</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,869,009</u>	<u>\$ 16,199,817</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

MACRONIX INTERNATIONAL CO., LTD.

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

1. GENERAL INFORMATION

Macronix International Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on December 9, 1989 and commenced business in December 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips. The Company also performs design, research and development, consultation and trade of relevant products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since March 15, 1995.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and were authorized for issue on February 14, 2023.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE

- a. Statement of compliance

The parent company 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 financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

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 its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, share of other comprehensive income of subsidiaries and related equity items, as appropriate, in the parent company 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting parent company only financial statements, the functional currencies of the Company and the Group (including subsidiaries and associates that use currency 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; 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, finished goods, merchandise and work-in-process 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. 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 standard cost and adjusted to approximate weighted - average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent's company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent's company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation on 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 method are reviewed at the end of each reporting period, with the effects of any changes in 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

1) Intangible assets acquired separately

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

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

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

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

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

- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3) Derecognition of intangible assets

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 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 Company becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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 category

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

i. Financial assets measured at amortized cost

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

- i) The financial assets are 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 assets 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 measured at amortized cost, including cash and cash equivalents and trade receivables measured 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 a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
- ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

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, 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.

ii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c) Derecognition of financial assets

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the

Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Provisions

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.

l. Revenue recognition

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of Memory products and wafer fabrication. Sales of Memory products and wafer fabrication are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, and has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. For Memory products and wafer fabrication, revenue is recognized when the goods are delivered to

the customer's specific location, and the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

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

2) Revenue from the rendering of services

As the Company provides rendering services, the related revenue is recognized when services are rendered. Payment for installation services is not due from the customer until the installation services are complete and, therefore, contract assets are recognized over the period in which the installation services are performed. The contract assets are reclassified to trade receivables when the installation is complete.

m. Lease

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

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Company as lessor

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

When the Company subleases right-of-use assets, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

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. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for 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, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

o. Government grants

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

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

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

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 service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

q. Share-based payment arrangements

The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options or other equity - employees' unearned compensation. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options or capital surplus-restricted share option.

r. Treasury shares

The parent company's shares held by subsidiaries is reclassified to treasury shares from investment accounted for using equity method and recognized with the original investment cost. Cash dividends earned by subsidiaries are write-off with investment income and adjust capital surplus-treasury share transaction.

s. Taxation

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

1) Current tax

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

According to the Income Act Law 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 recognized 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, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures and personnel training 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 Company is able to control the reversal of the temporary difference and it is probable 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 asset 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 year which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future years if the revision affects both current and future years.

a. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the disposal. The estimation of net realizable value was 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.

b. Recognition and measurement of defined benefit plans

The net defined liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expense and the liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Checking accounts and demand deposits	\$ 6,281,929	\$ 5,886,345
Cash equivalents		
Time deposits	<u>11,587,080</u>	<u>10,313,472</u>
	<u>\$ 17,869,009</u>	<u>\$ 16,199,817</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Non-current</u>		
Investments in equity instruments		
Domestic investments		
Listed shares	\$ 1,783,213	\$ 1,995,329
Unlisted shares	<u>558,236</u>	<u>498,055</u>
	<u>\$ 2,341,449</u>	<u>\$ 2,493,384</u>

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

The Company recognized dividends income of NT\$151,552 thousand and NT\$118,914 thousand for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Company's related investments still held amounted to NT\$2,341,449 thousand and NT\$2,493,384 thousand, respectively.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Trade receivables</u>		
Total amount of trade receivable measured at amortized cost	\$ 3,404,449	\$ 4,656,163
Less: Allowance for impairment loss	<u>(16,955)</u>	<u>(16,955)</u>
	<u>\$ 3,387,494</u>	<u>\$ 4,639,208</u>
<u>Other receivables</u>		
Tax receivable	\$ 192,679	\$ 178,544
Receivables from disposal of property, plant and equipment	-	173,565
Others	<u>27,878</u>	<u>7,502</u>
	<u>\$ 220,557</u>	<u>\$ 359,611</u>

a. Trade receivables

The average credit period for sales of goods was 60 days.

In determining the recoverability of a trade receivable, the Company evaluates each customer's credibility and financial position and considers any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of the conditions at the reporting date. The Company estimates expected credit losses based on the number of days for which receivables are past due. As the Company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to the different segments of the Company's customer base.

The aging of trade receivables is as follows:

	December 31	
	2022	2021
Neither past due nor impaired	\$ 3,259,466	\$ 4,505,220
Past due but not impaired		
Within 60 days	123,681	133,236
61-120 days	-	752
Over 120 days	<u>4,347</u>	<u>-</u>
	<u>\$ 3,387,494</u>	<u>\$ 4,639,208</u>

The above aging schedule was based on the past due days from the end of the credit term.

As of December 31, 2022 and 2021, the Company did not hold collateral for most of its receivables.

The movements of the allowance for doubtful trade receivables are as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 16,955	\$ 17,018
Less: Amounts reversed	<u>-</u>	<u>(63)</u>
Balance at December 31	<u>\$ 16,955</u>	<u>\$ 16,955</u>

b. Other receivables

No allowance for impairment loss of other receivables was recognized since the other receivables of the Company were not past due and the Company assessed that there was no uncertainty of recoverability.

9. INVENTORIES

	December 31	
	2022	2021
Finished goods and merchandise	\$ 1,430,099	\$ 1,314,928
Work in progress	11,858,183	11,056,652
Raw materials	<u>1,374,496</u>	<u>763,264</u>
	<u>\$ 14,662,778</u>	<u>\$ 13,134,844</u>

The costs of inventories recognized as cost of goods sold included inventory loss that resulted from the write-downs of inventory to net realizable value and reversal of inventory loss due to sold of part of the written-down inventory. The amounts were as follows:

	For the Year Ended December 31	
	2022	2021
Loss on inventory write-downs (reversal of inventory loss)	<u>\$ 1,292,372</u>	<u>\$ (1,548,422)</u>

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investment in subsidiaries	<u>\$ 3,447,021</u>	<u>\$ 2,927,848</u>
<u>Investments in subsidiaries</u>		
	December 31	
	2022	2021
Macronix (BVI) Co., Ltd. (MXBVI)	\$ 2,948,991	\$ 2,548,353
Macronix America, Inc. (MXA)	356,166	228,970
Hui Ying Investment Ltd. (Hui Ying)	98,280	94,664
Run Hong Investment Ltd. (Run Hong)	32,020	43,833
Mxtran Inc. (Mxtran)	<u>11,564</u>	<u>12,028</u>
	<u>\$ 3,447,021</u>	<u>\$ 2,927,848</u>
	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiaries	2022	2021
MXBVI	100.00%	100.00%
MXA	100.00%	100.00%
Hui Ying	100.00%	100.00%
Run Hong	100.00%	100.00%
Mxtran	90.43%	90.43%

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements which have been audited for the same years.

On February 14, 2023, The Company's board of directors approved to acquire the outstanding shares of Macronix (Hong Kong) Co., Limited and Macronix Pte Ltd held by MX(BVI) at book value US\$ 19,756,278 as of December 31, 2022, and MX(BVI) buys-back 19,756,278 shares with par value US\$1 per share and cancelled.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Company	<u>\$ 37,529,981</u>	<u>\$ 31,792,537</u>

Years Ended December 31, 2022					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Freehold land	\$ 598,076	\$ -	\$ -	\$ -	\$ 598,076
Buildings	21,216,346	-	89,257	1,047,399	22,174,488
Machinery equipment	91,339,673	-	129,639	2,738,042	93,948,076
Research and development equipment	6,749,959	-	39,476	1,269,981	7,980,464
Transportation equipment	24,281	-	192	900	24,989
Leasehold improvements	3,230	-	-	-	3,230
Miscellaneous equipment	1,045,921	-	20,301	94,917	1,120,537
Advance payments and construction in progress	5,785,368	10,086,579	-	(5,151,239)	10,720,708
	<u>126,762,854</u>	<u>\$ 10,086,579</u>	<u>\$ 278,865</u>	<u>\$ -</u>	<u>136,570,568</u>
<u>Accumulated depreciation and impairment</u>					
Buildings	17,035,617	\$ 485,642	\$ 83,905	\$ -	17,437,354
Machinery equipment	74,709,272	3,203,767	129,551	205,802	77,989,290
Research and development equipment	2,315,908	557,244	39,420	(205,802)	2,627,930
Transportation equipment	13,351	4,070	192	-	17,229
Leasehold improvements	3,230	-	-	-	3,230
Miscellaneous equipment	892,939	92,916	20,301	-	965,554
	<u>94,970,317</u>	<u>\$ 4,343,639</u>	<u>\$ 273,369</u>	<u>\$ -</u>	<u>99,040,587</u>
Carrying amount at December 31, 2022	<u>\$ 31,792,537</u>				<u>\$ 37,529,981</u>
Years Ended December 31, 2021					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
<u>Cost</u>					
Freehold land	\$ 598,076	\$ -	\$ -	\$ -	\$ 598,076
Buildings	25,223,237	-	4,319,859	312,968	21,216,346
Machinery equipment	100,853,676	-	10,721,370	1,207,367	91,339,673
Research and development equipment	4,167,190	-	17,298	2,600,067	6,749,959
Transportation equipment	20,741	-	3,365	6,905	24,281
Leasehold improvements	3,230	-	-	-	3,230
Miscellaneous equipment	1,078,664	-	110,802	78,059	1,045,921
Advance payments and construction in progress	5,089,153	4,901,959	-	(4,205,744)	5,785,368
	<u>137,033,967</u>	<u>\$ 4,901,959</u>	<u>\$ 15,172,694</u>	<u>\$ (378)</u>	<u>126,762,854</u>
<u>Accumulated depreciation and impairment</u>					
Buildings	20,921,810	\$ 426,065	\$ 4,312,258	\$ -	17,035,617
Machinery equipment	82,255,046	3,162,587	10,708,361	-	74,709,272
Research and development equipment	1,903,183	430,023	17,298	-	2,315,908
Transportation equipment	13,091	3,625	3,365	-	13,351
Leasehold improvements	3,078	152	-	-	3,230
Miscellaneous equipment	921,248	80,074	108,005	(378)	892,939
	<u>106,017,456</u>	<u>\$ 4,102,526</u>	<u>\$ 15,149,287</u>	<u>\$ (378)</u>	<u>94,970,317</u>
Carrying amount at December 31, 2021	<u>\$ 31,016,511</u>				<u>\$ 31,792,537</u>

For the years ended December 31, 2022 and 2021, the Company assessed that no indication of an impairment loss was present; therefore, no impairment assessment was performed.

The Company's 6-inch fab ceased production in May 2021 and was disposed of in September 2021. The related gain on disposal of NT\$2,505,176 thousand was recognized as gain on disposal of property, plant and equipment under non-operating income and expenses.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	31 years
Electronic equipment	11 years
Facility equipment	15 years
Machinery equipment	11 years
Research and development equipment	11 years
Transportation equipment	5 years
Leasehold improvements	6 years
Miscellaneous equipment	3-6 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Freehold land	\$ 693,393	\$ 735,749
Buildings	6,163	14,641
Machinery equipment	4,638	-
Transportation equipment	3,910	1,037
Miscellaneous equipment	<u>500</u>	<u>500</u>
	<u>\$ 708,604</u>	<u>\$ 751,927</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 24,082</u>	<u>\$ 9,162</u>
Depreciation charge for right-of-use assets		
Freehold land	\$ 56,774	\$ 65,481
Buildings	8,523	8,477
Machinery equipment	11,817	10,050
Transportation equipment	1,542	1,595
Miscellaneous equipment	<u>1,999</u>	<u>2,000</u>
	<u>\$ 80,655</u>	<u>\$ 87,603</u>
Income from the subleasing of right-of-use assets (included in other income)	<u>\$ (4,035)</u>	<u>\$ (4,006)</u>

Except for the recognized depreciation, the Company did not have impairment of right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 63,094	\$ 63,287
Non-current	\$ 667,577	\$ 706,487

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Freehold land	1.22%-1.73%	1.67%-1.73%
Buildings	1.03%-1.22%	1.03%-1.28%
Machinery equipment	1.17%-1.56%	1.18%-1.28%
Transportation equipment	1.45%-1.56%	1.03%-1.22%
Miscellaneous equipment	1.22%	1.19%

c. Material lease-in activities and terms

The Company also leased certain land and buildings for the use as plant and office in a period of one to twenty years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 2,337	\$ 385
Expenses relating to low-value asset leases	\$ 60	\$ 60
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 13,775	\$ 10,200
Total cash outflow for leases	\$ (104,695)	\$ (107,776)

The Company leases certain office buildings which qualify as short-term leases and certain office equipment which qualifies as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	Year Ended December 31, 2022			
Item	Balance, Beginning of Year	Additions	Disposals	Balance, End of Period
<u>Cost</u>				
Software	\$ 158,640	\$ 94,487	\$ 32,154	\$ 220,973
<u>Accumulated amortization</u>				
Software	63,532	\$ 64,896	\$ 32,154	96,274
Carrying amount at December 31, 2022	\$ 95,108			\$ 124,699

Item	Year Ended December 31, 2021				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Period
<u>Cost</u>					
Software	\$ 88,796	<u>\$ 84,339</u>	<u>\$ 19,383</u>	<u>\$ 4,888</u>	\$ 158,640
<u>Accumulated amortization</u>					
Software	<u>34,167</u>	<u>\$ 43,860</u>	<u>\$ 19,383</u>	<u>\$ 4,888</u>	<u>63,532</u>
Carrying amount at December 31, 2021	<u>\$ 54,629</u>				<u>\$ 95,108</u>

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

Software 3 years

14. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
<u>Non-current</u>		
Refundable deposits	\$ 553,619	\$ 4,027
Restricted time deposits (Note 32)	<u>207,223</u>	<u>208,268</u>
	<u>\$ 760,842</u>	<u>\$ 212,295</u>

15. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Prepayments	<u>\$ 185,051</u>	<u>\$ 180,189</u>
<u>Non-current</u>		
Prepayments	<u>\$ 333,147</u>	<u>\$ 333,147</u>

The non-current prepayments were made according to the production capacity cooperation agreement signed between the Company and its suppliers; the prepayments were paid in accordance with the contract.

16. BORROWINGS

Long-term borrowings

	December 31	
	2022	2021
Secured borrowings from financial institutions	\$ 4,812,500	\$ 6,737,500
Unsecured borrowings from financial institutions	<u>10,940,125</u>	<u>5,670,625</u>
	15,752,625	12,408,125
Less: Current portion	3,683,542	3,094,739
Less: Arrangement fee	5,200	10,000
Less: Government loan discount	<u>93,569</u>	<u>53,051</u>
Long-term borrowings	<u>\$ 11,970,314</u>	<u>\$ 9,250,335</u>
Interest rate	1.13%-2.19%	0.50%-1.79%

Borrowing Type	Repayment Terms	December 31	
		2022	2021
Secured syndicated loan denominated in NT\$	From June 2019 to February 2024	\$ 4,812,500	\$ 6,737,500
Unsecured bank borrowings denominated in NT\$	From June 2020 to June 2023	125,000	375,000
Unsecured bank borrowings denominated in NT\$	From August 2020 to February 2023	300,000	600,000
Unsecured bank borrowings denominated in NT\$	From August 2020 to August 2023	187,500	437,500
Unsecured bank borrowings denominated in NT\$	From August 2020 to August 2023	140,625	328,125
Unsecured bank borrowings denominated in NT\$	From December 2020 to December 2023	500,000	600,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	1,000,000	978,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	2,300,000	649,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	600,000	556,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	1,100,000	318,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2031	787,000	329,000
Unsecured bank borrowings denominated in NT\$	From December 2021 to December 2024	500,000	500,000
Unsecured bank borrowings denominated in NT\$	From March 2022 to September 2024	600,000	-
Unsecured bank borrowings denominated in NT\$	From March 2022 to March 2025	500,000	-
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2029	263,000	-
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2029	116,000	-
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2029	109,000	-

(Continued)

Borrowing Type	Repayment Terms	December 31	
		2022	2021
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2029	\$ 100,000	\$ -
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2029	54,000	-
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2032	557,000	-
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2032	243,000	-
Unsecured bank borrowings denominated in NT\$	From July 2022 to July 2032	58,000	-
Unsecured bank borrowings denominated in NT\$	From August 2022 to August 2025	300,000	-
Unsecured bank borrowings denominated in NT\$	From August 2022 to August 2029	500,000	-
Less: Current portion		3,683,542	3,094,739
Less: Arrangement fee		5,200	10,000
Less: Government loan discount		<u>93,569</u>	<u>53,051</u>
Total long-term borrowings		<u>\$ 11,970,314</u>	<u>\$ 9,250,335</u> (Concluded)

To purchase equipment or machinery, the Company has entered into a 5-year syndicated loan agreement with 9 financial institutions including the Taiwan Cooperative Bank in January 2019 with the total amount of NT\$8 billion. The Company provided notes used as refundable guarantees for syndicated loan mentioned above that will be cancelled upon termination of the guarantee.

The Ministry of Economic Affairs implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” on January 1, 2019, which provided enterprises to make compliant investments with financial institutions at preferential interest rates. The Company has obtained the approval of the Ministry of Economic Affairs to qualify for the project loan and signed a loan contract with a financial institution to obtain a financing line of NT\$21 billion, with a credit period of 7 to 10 years. The funds obtained are used for factory expansion, purchased machinery and equipment, buildings and operating turnover, etc. The details of government grants are set out in Note 28.

In addition, the Company’s floating borrowing rate on the above borrowing is reset every one to three months.

The loan agreement requires the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Company’s semi-annual and annual financial statements. For the year ended December 31, 2022 and 2021, the Company had met the financial ratio covenants.

The details of assets pledged as collateral for long-term loans are set in Note 32.

17. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
Trade payables	<u>\$ 2,585,373</u>	<u>\$ 3,403,530</u>

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed upon credit terms.

18. OTHER PAYABLES

	December 31	
	2022	2021
Payables for bonuses	\$ 281,899	\$ 271,759
Payables for maintenance and repairs	252,612	211,542
Payables for spare parts	112,400	70,612
Payables for patents	98,518	122,327
Payables for insurance	85,633	67,894
Payables for pension	74,712	68,938
Others	<u>498,605</u>	<u>806,808</u>
	<u>\$ 1,404,379</u>	<u>\$ 1,619,880</u>

19. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Refund liabilities	\$ 321,999	\$ 294,298
Receipts under custody	34,938	35,706
Temporary credits	<u>8,686</u>	<u>7,158</u>
	<u>\$ 365,623</u>	<u>\$ 337,162</u>
<u>Non-current</u>		
Government grants deferred revenue (Note 28)	\$ 102,121	\$ 55,226
Guarantee deposits	<u>20,992</u>	<u>10,755</u>
	<u>\$ 123,113</u>	<u>\$ 65,981</u>

20. PROVISIONS

	December 31	
	2022	2021
<u>Current</u>		
Employee benefits (a)	<u>\$ 3,903</u>	<u>\$ 3,282</u>

a. The provision for employee benefits represents vested long service leave entitlements accrued.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 1,717,492	\$ 1,874,741
Fair value of plan assets	<u>(1,274,760)</u>	<u>(1,021,636)</u>
Net defined benefit liability	<u>\$ 442,732</u>	<u>\$ 853,105</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 1,898,790</u>	<u>\$ 942,837</u>	<u>\$ 955,953</u>
Service cost			
Current service cost	3,601	-	3,601
Net interest expense	9,359	-	9,359
Return on plan assets	<u>-</u>	<u>4,662</u>	<u>(4,662)</u>
Recognized in profit or loss	<u>12,960</u>	<u>4,662</u>	<u>8,298</u>
Remeasurement			
Return on plan assets	-	12,094	(12,094)
Actuarial loss - experience adjustments	53,453	-	53,453
Actuarial loss - actuarial assumptions adjustments	<u>39,519</u>	<u>-</u>	<u>39,519</u>
Recognized in other comprehensive income	<u>92,972</u>	<u>12,094</u>	<u>80,878</u>
Contributions from the employer	<u>-</u>	<u>192,024</u>	<u>(192,024)</u>
Benefits paid	<u>(129,981)</u>	<u>(129,981)</u>	<u>-</u>
Balance at December 31, 2021	<u>1,874,741</u>	<u>1,021,636</u>	<u>853,105</u>

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Service cost			
Current service cost	\$ 2,829	\$ -	\$ 2,829
Net interest expense	9,155	-	9,155
Return on plan assets	<u>-</u>	<u>4,974</u>	<u>(4,974)</u>
Recognized in profit or loss	<u>11,984</u>	<u>4,974</u>	<u>7,010</u>
Remeasurement			
Return on plan assets	-	83,305	(83,305)
Actuarial loss - experience adjustments	17,895	-	17,895
Actuarial loss - actuarial assumptions adjustments	<u>(89,939)</u>	<u>-</u>	<u>(89,939)</u>
Recognized in other comprehensive income	<u>(72,044)</u>	<u>83,305</u>	<u>(155,349)</u>
Contributions from the employer	<u>-</u>	<u>262,034</u>	<u>(262,034)</u>
Benefits paid	<u>(97,189)</u>	<u>(97,189)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 1,717,492</u>	<u>\$ 1,274,760</u>	<u>\$ 442,732</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 3,482	\$ 4,307
Selling and marketing expenses	487	528
General and administration expenses	1,352	1,552
Research and development expenses	<u>1,689</u>	<u>1,911</u>
	<u>\$ 7,010</u>	<u>\$ 8,298</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate 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 plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	2021
Discount rate	1.25%	0.50%
Expected rate of salary increase	3.00%	3.00%
Expected return on plan assets increase	1.25%	0.50%

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

	December 31	
	2022	2021
Discount rate		
0.50% increase	\$ (57,111)	\$ (62,796)
0.50% decrease	\$ 59,373	\$ 66,474
Expected rate of salary increase		
0.50% increase	\$ 98,086	\$ 102,481
0.50% decrease	\$ (92,390)	\$ (96,601)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	\$ 32,018	\$ 87,610
The average duration of the defined benefit obligation	6.9 years	6.9 years

The Company maintains a separate executive pension plan and the net periodic pension costs were NT\$5,670 thousand and NT\$5,218 thousand for the years ended December 31, 2022 and 2021, respectively.

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation
Balance at January 1, 2021	\$ 475,200
Service cost	
Current service cost	2,851
Net interest expense	2,367
Recognized in profit or loss	5,218
Remeasurement	
Actuarial loss - experience adjustments	52,255
Actuarial loss - changes in assumptions	20,233
Recognized in other comprehensive income	72,488
Balance at December 31, 2021	552,906

(Continued)

	Present Value of Defined Benefit Obligation
Service cost	
Current service cost	\$ 2,949
Net interest expense	<u>2,721</u>
Recognized in profit or loss	<u>5,670</u>
Remeasurement	
Actuarial loss - experience adjustments	82,090
Actuarial loss - changes in assumptions	<u>(9,896)</u>
Recognized in other comprehensive income	<u>72,194</u>
Balance at December 31, 2022	<u>\$ 630,770</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
General and administration expenses	<u>\$ 5,670</u>	<u>\$ 5,218</u>

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

	<u>December 31</u>	
	2022	2021
Discount rate	1.25%	0.50%
Expected rate of salary increase	-	-
Expected return on plan assets increase	1.25%	0.50%

22. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2022	2021
Number of shares authorized (in thousands)	<u>6,550,000</u>	<u>6,550,000</u>
Shares authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,855,854</u>	<u>1,856,018</u>
Share issued	<u>\$ 18,558,543</u>	<u>\$ 18,560,178</u>

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

A total of 864,704 thousand shares and 650,000 thousand shares of the Company's authorized shares were reserved for the issuance of convertible bonds and employee share options.

The change in the Company's share capital is due to the withdrawal and cancellation of new shares that limit the rights of employees which do not meet the vested conditions.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 358,766	\$ 253,624
Donations	37	37
Treasury share transactions	<u>38,966</u>	<u>35,444</u>
	<u>\$ 397,769</u>	<u>\$ 289,105</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interests in subsidiaries (2)	<u>\$ 4,609</u>	<u>\$ 4,609</u>
<u>May not be used for any purpose</u>		
Employee restricted shares	<u>\$ 332</u>	<u>\$ 105,496</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation, state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve 10% of the remaining profit (until the amount of the legal reserve equals the amount of the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors stated by the Company's Articles of Incorporation, refer to "Employees' compensation and remuneration of directors" in Note 24 (h).

The Company is classified under the capital intensive industry. In accordance with the long-term financial program of the Company, the above shareholders' dividends can be retained as undistributed earnings, and then be distributed in the future, as determined by the shareholders at the Annual General Meeting.

Distributions shall be prioritized to take the form of cash dividends. Nevertheless, it still depends on the Company's financial, sales or operating condition. The Company's Articles of Incorporation provide that no more than 50% of the current year's total amount of distributable earnings can be distributed in the form of share dividends.

The appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriation of earnings for 2021 and 2020, which had been proposed by the Company's general meeting of shareholders on May 27, 2022 and August 17, 2021, respectively. The appropriation and dividends per share were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Legal reserve	<u>\$ 1,155,092</u>	<u>\$ 529,409</u>
Special reserve	<u>\$ (214,869)</u>	<u>\$ (329,834)</u>
Cash dividends	<u>\$ 3,340,758</u>	<u>\$ 2,227,424</u>
Cash dividends per share	\$ 1.8	\$ 1.2

d. Special reserve

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 291,361	\$ 621,195
Appropriations in respect of		
Treasury shares	196	-
Reversals:		
Treasury shares reversal	-	(9,979)
Reversal of the debits to other equity items	<u>(215,065)</u>	<u>(319,855)</u>
Balance at December 31	<u>\$ 76,492</u>	<u>\$ 291,361</u>

According to the shareholding ratio, the special reserve is calculated based on the difference between the market value of the parent company's stock holdings and the book value, and the special reserve will be partially reversed on market price.

e. Other equity items

1) Exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ (499,052)	\$ (386,090)
Exchange differences on translating foreign operations	<u>356,086</u>	<u>(112,962)</u>
Balance at December 31	<u>\$ (142,966)</u>	<u>\$ (499,052)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 1,374,203	\$ 171,026
Recognized for the year		
Unrealized (loss)/gain - equity instrument	(151,935)	714,340
Share from associates accounted for using the equity method	<u>(78,830)</u>	<u>230,165</u>
Other comprehensive income recognized for the year	1,143,438	1,115,531
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal in subsidiaries	<u>-</u>	<u>258,672</u>
Balance at December 31	<u>\$ 1,143,438</u>	<u>\$ 1,374,203</u>

3) Employee unearned benefit

In the meetings of shareholders on June 18, 2019, the shareholders approved a restricted share plan for employees. Refer to Note 27 for the information on restricted shares issued.

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (45,404)	\$ (150,555)
Share-based payment expenses recognized	43,893	115,145
Adjustments for change of turnover rate	<u>1,511</u>	<u>(9,994)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ (45,404)</u>

f. Treasury shares

The Company's shares held by its subsidiaries at December 31, 2022 and 2021 were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2022</u>			
Hui Ying	1,957	\$ 159,061	\$ 66,036
<u>December 31, 2021</u>			
Hui Ying	1,957	\$ 159,061	\$ 82,569

The Company's shares held by subsidiaries are regarded as treasury shares; shareholders' rights are retained, except for the rights to participate in any share issuances for cash and to vote.

23. REVENUE

a. Segmentation of revenue from contracts with customers

	For the Year Ended December 31	
	2022	2021
<u>Product type</u>		
Flash	\$ 28,040,782	\$ 32,538,740
ROM	10,670,968	13,556,983
Foundry	3,796,517	3,501,876
Others	<u>750</u>	<u>600</u>
	<u>\$ 42,509,017</u>	<u>\$ 49,598,199</u>

b. Contract balances

	December 31	
	2022	2021
Contract liabilities (classified as current liabilities)	<u>\$ 17,883</u>	<u>\$ 34,963</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of the performance obligations and the customer's payment.

The Company recognized revenue from the beginning balance of contract liabilities as follows:

	For the Year Ended December 31	
	2022	2021
<u>From the beginning balance of contract liabilities</u>		
Sale of goods	<u>\$ 34,792</u>	<u>\$ 86,424</u>

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	<u>\$101,764</u>	<u>\$ 17,689</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 151,552	\$ 118,914
Others	<u>144,075</u>	<u>36,713</u>
	<u>\$ 295,627</u>	<u>\$ 155,627</u>

c. Gain on disposal of property, plant and equipment

	For the Year Ended December 31	
	2022	2021

Gain on disposal of idle assets	\$ <u>-</u>	\$ <u>2,505,176</u>
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d. Other gains and losses

	For the Year Ended December 31	
	2022	2021

Net foreign exchange gains (losses)	\$ 698,078	\$ (162,247)
Other losses	<u>(813)</u>	<u>(314)</u>
	\$ <u>697,265</u>	\$ <u>(162,561)</u>

e. Finance costs

	For the Year Ended December 31	
	2022	2021

Interest on loans	\$ 220,762	\$ 220,856
Interest on lease liabilities	12,444	14,627
Less: Amounts included in the cost of qualifying assets	<u>(27,063)</u>	<u>(2,851)</u>
	\$ <u>206,143</u>	\$ <u>232,632</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021

Capitalized interest	\$ 27,063	\$ 2,851
Capitalization rate	0.99%	1.20%

f. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021

An analysis of depreciation by function		
Operating costs	\$ 3,688,632	\$ 3,598,189
Operating expenses	<u>735,662</u>	<u>591,940</u>
	\$ <u>4,424,294</u>	\$ <u>4,190,129</u>
An analysis of amortization by function		
Operating costs	\$ 30,503	\$ 18,342
Operating expenses	<u>34,393</u>	<u>25,518</u>
	\$ <u>64,896</u>	\$ <u>43,860</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits (Note 21)		
Defined contribution plans	\$ 213,554	\$ 208,895
Defined benefit plans	<u>12,680</u>	<u>13,516</u>
	226,234	222,411
Share-based payments		
Equity-settled	43,893	115,145
Other employee benefits	<u>7,924,031</u>	<u>8,409,327</u>
Total employee benefits expense	<u>\$ 8,194,158</u>	<u>\$ 8,746,883</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,799,775	\$ 4,046,241
Operating expenses	<u>4,394,383</u>	<u>4,700,642</u>
	<u>\$ 8,194,158</u>	<u>\$ 8,746,883</u>

h. Employees' compensation and remuneration of directors

In compliance with the Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 15% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the years ended December 31, 2022 and 2021, the estimated employees' compensation and the remuneration of directors resolved by the board of directors on February 14, 2023 and February 25, 2022, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2022	2021
Employees' compensation	<u>\$ 1,854,831</u>	<u>\$ 2,396,656</u>
Remuneration of directors	<u>\$ 247,311</u>	<u>\$ 319,554</u>

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amount of employees' compensation and remuneration of directors paid and the amount recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 1,387,619	\$ 630,925
Adjustments for prior year	(15)	9,312
Deferred tax		
In respect of the current year	<u>(93,978)</u>	<u>658,310</u>
Income tax expense recognized in profit or loss	<u>\$ 1,293,626</u>	<u>\$ 1,298,547</u>

A reconciliation of accounting loss and income tax expenses is as follows:

	For the Year Ended December 31	
	2022	2021
Income before tax from continuing operations	<u>\$ 10,263,401</u>	<u>\$ 13,261,499</u>
Income tax expense calculated at the statutory rate	\$ 2,052,680	\$ 2,652,300
Non-deductible expenses in determining taxable income	10,032	7,969
Non-taxable income	(32,536)	(131,393)
Deductible temporary differences	66,423	(1,234,348)
Unrecognized investment credits	(708,980)	(337,368)
Deferred tax in respect of the current year	(93,978)	-
Adjustments for prior year	(15)	9,312
Recognized loss carryforwards	-	658,310
Realized investment losses	-	(242,886)
Deductible tax-exemptions income credits	<u>-</u>	<u>(83,349)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,293,626</u>	<u>\$ 1,298,547</u>

- b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 6,225</u>	<u>\$ 2,745</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,387,619</u>	<u>\$ 640,237</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized inventory losses	\$ 483,271	\$ 204,740	\$ 688,011
Net defined benefit liabilities	83,127	1,650	84,777
Unrealized refund liabilities	35,569	4,294	39,863
Others	<u>42,246</u>	<u>(4,982)</u>	<u>37,264</u>
	<u>\$ 644,213</u>	<u>\$ 205,702</u>	<u>\$ 849,915</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Depreciation	\$ (603,554)	\$ (152,383)	\$ (755,937)
Unrealized exchange gains	<u>(40,659)</u>	<u>40,659</u>	<u>-</u>
	<u>\$ (644,213)</u>	<u>\$ (111,724)</u>	<u>\$ (755,937)</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized inventory losses	\$ -	\$ 483,271	\$ 483,271
Net defined benefit liabilities	-	83,127	83,127
Unrealized refund liabilities	-	35,569	35,569
Recognized loss carryforwards	658,310	(658,310)	-
Others	<u>-</u>	<u>42,246</u>	<u>42,246</u>
	<u>\$ 658,310</u>	<u>\$ (14,097)</u>	<u>\$ 644,213</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Depreciation	\$ -	\$ (603,554)	\$ (603,554)
Unrealized exchange gains	<u>-</u>	<u>(40,659)</u>	<u>(40,659)</u>
	<u>\$ -</u>	<u>\$ (644,213)</u>	<u>\$ (644,213)</u>

- d. Deductible temporary differences and unused investment credits for which no deferred assets have been recognized in the parent company only balance sheets

	December 31	
	2022	2021
Investment credits		
Research and development expenditures	\$ 327,891	\$ 141,281
Purchase of smart machines expenditures	<u>-</u>	<u>30,000</u>
	<u>\$ 327,891</u>	<u>\$ 171,281</u>
Deductible temporary differences	<u>\$ 5,507,894</u>	<u>\$ 5,537,304</u>

The unrecognized investment credits will expire in 2023.

- e. Information on unused investment credits and tax-exemptions

As of December 31, 2022, the investment tax credits comprised of:

Law and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Industrial Innovation	Research and development expenditures	<u>\$ 327,891</u>	2023

- f. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 4.85</u>	<u>\$ 6.48</u>
Diluted earnings per share	<u>\$ 4.68</u>	<u>\$ 6.25</u>

The income and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2022	2021
Income for the year attributable to owners of the Company	<u>\$ 8,969,775</u>	<u>\$ 11,962,952</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares in computation of basic earnings per share	1,850,115	1,845,347
Effect of potentially dilutive ordinary shares:		
Restricted shares to employees	3,820	7,704
Employees' compensation or bonus issue to employees	<u>63,490</u>	<u>60,181</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>1,917,425</u>	<u>1,913,232</u>

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus 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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Restricted share plan for employees

Information on share plan for employees were as follows:

Approved Date	Grant Shares (Thousand)	Board of Directors Approved Grant Shares (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Fair Value
2019/06/18	35,294	16,815	2019/10/21	2020/06/16	16,400	\$ 32.55

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period listed as follows:

- If an employee remains employed by the Company for one year after the grant date; and has a current year's performance rating of A0 or A1, 40% of the restricted shares will be vested;
- If an employee remains employed by the Company for two years after the grant date; and has a current year's performance rating of A0 or A1, 30% of the restricted shares will be vested;
- If an employee remains employed by the Company for three years after grant date; and has a current year's performance rating of A0 or A1, 30% of the restricted shares will be vested.

In addition to the vesting conditions, the limitations are as follows:

- Employees, except for inheritance, should not sell, transfer, pledge, donate or in any other way dispose of the shares.
- The shares should be held in stock trust.

- c. Except for the above two paragraphs, the other rights of the restricted share plan for employees, which include, but are not limited to, dividends, bonuses, the distribution rights of the legal reserve and capital surplus, share options of cash capital voting rights of shareholders, etc., are the same as the Group's issued ordinary shares.
- d. The dividends of restricted share plan for employees are not restricted by existing conditions.
- e. When a new share is returned in cash due to the Company's capital reduction, the refund of the vested capital loss shall be under custodian trust. In accordance with the issuance method, such capital and shares shall be granted if the vesting conditions for new restricted employee shares are met. The vested shares are granted to employees without interests; if the vested conditions are not met, such cash will be recovered by the Company.

When employees do not reach the vesting conditions of restricted share plan for employees during the year, the Company will recover and cancel the shares.

Information on restricted share plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Year Ended December 31	
	2022	2021
Balance at January 1	4,826	9,836
Vested	(4,662)	(4,800)
Forfeited (Note)	<u>(149)</u>	<u>(210)</u>
Balance at December 31	<u>15</u>	<u>4,826</u>

Note: For the years ended December 31, 2022, the forfeited shares include 26 thousand shares, which will be cancelled, and 123 thousand shares, which were already cancelled; for the years ended December 31, 2021, the forfeited shares include 41 thousand shares, which will be cancelled, and 169 thousand shares, which were already cancelled.

For the years ended December 31, 2022 and 2021, the compensation cost recognized was NT\$43,893 thousand and NT\$115,145 thousand, respectively.

28. GOVERNMENT GRANTS

As of December 31, 2022, the Company obtained a government preferential interest rate loan of \$7,787,000 thousand from the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". The loan will be repaid on an average monthly basis after the date of expiry. At the time of the borrowing, the fair value of the borrowing was estimated based on the market interest rate. The difference between the amount obtained and the fair value of the loan is \$115,898 thousand, which is regarded as a government low interest loan and recognized as deferred income. For the year ended December 31, 2022 and 2021, the Company recognized other income of \$12,420 thousand and \$1,357 thousand, respectively. For the year ended December 31, 2022 and 2021, the interest expense of the loan was \$18,797 thousand and \$3,532 thousand, respectively.

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company's strategy for managing the capital structure is to lay out the plan of product development and expand the market share considering the growth and the magnitude of industry and further developing an integral plan founded on the required capacity, capital outlay, and magnitude of assets in long-term development. Ultimately, considering the risk factors such as the fluctuation of the industry cycle and the life cycle of products, the Company determines the optimal capital structure by estimating the profitability of products, operating profit ratio, and cash flow based on the competitiveness of products.

The management of the Company periodically examines the capital structure and contemplates on the potential costs and risks involved while exerting different financial tools. In general, the Company implements prudent strategy of risk management.

30. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

<u>December 31, 2022</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in ROC	\$ 1,783,213	\$ -	\$ -	\$ 1,783,213
Securities unlisted in ROC	<u>-</u>	<u>-</u>	<u>558,236</u>	<u>558,236</u>
	<u>\$ 1,783,213</u>	<u>\$ -</u>	<u>\$ 558,236</u>	<u>\$ 2,341,449</u>
<u>December 31, 2021</u>	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in ROC	\$ 1,995,329	\$ -	\$ -	\$ 1,995,329
Securities unlisted in ROC	<u>-</u>	<u>-</u>	<u>498,055</u>	<u>498,055</u>
	<u>\$ 1,995,329</u>	<u>\$ -</u>	<u>\$ 498,055</u>	<u>\$ 2,493,384</u>

There were no transfers between Level 1 and Level 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial assets

Financial Assets	Financial Assets at FVTOCI For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 498,055	\$ 389,504
Total gain recognized in other comprehensive (unrealized gain on financial assets at FVTOCI)	<u>60,181</u>	<u>108,551</u>
Balance at December 31	<u>\$ 558,236</u>	<u>\$ 498,055</u>

3) Valuation used in Level 3 fair value measurement

The fair values of equity securities listed in the ROC and other countries was arrived at using either the asset-based approach or based on the multiplier evaluated in the active market by the market approach and adjustments of liquidity.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Measured at amortized cost (1)	\$ 23,285,923	\$ 24,020,500
Measured at FVTOCI	2,341,449	2,493,384
<u>Financial liabilities</u>		
Measured at amortized cost (2)	23,165,747	22,484,396

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables (including receivables from related parties), other receivables and other financial assets.

2) The balances included financial liabilities measured at amortized cost, which comprise, notes payable and trade payables (including payables to related parties), other payables (including other payables to related parties), payable for purchases of equipment, guarantee deposits and long-term loans (including current portion).

d. Financial risk management objectives and policies

The Company manages its exposure to risks relating to the operations through market risk, credit risk, and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Company must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other price risk (see (c) below).

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

Sensitivity analysis

The Company was mainly exposed to the USD and JPY.

The sensitivity analysis of foreign currency risk focuses mainly on exchange rates for transactions in currencies other than the entity's functional currency (i.e. foreign currencies) which are recognized at the rates of exchange prevailing at the end of each reporting period.

The following table details the Company's sensitivity to a 3% and 10% increase in the New Taiwan dollars (i.e. the functional currency) against the USD and JPY, respectively. The sensitivity rates used are 3% and 10% when reporting foreign currency risk internally to key management personnel.

	<u>USD Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Pre-tax profit decrease (increase)	\$ <u>117,032</u>	\$ <u>163,232</u>	\$ <u>(6,802)</u>	\$ <u>14</u>

b) Interest rate risk

The Company is exposed to interest rate risk from outstanding bank loans. Interest rates of the Company's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The sensitivity analysis of interest is performed based on the financial liabilities exposed to cash flow interest rate risk at the end of each reporting period.

If interest rates had been 50 basis points higher/lower, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would decreased/increased by NT\$78,269 thousand and NT\$61,725 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Sensitivity analysis

A sensitivity analysis of equity prices is performed based on the fair values of equity investments at the end of each reporting period.

If equity prices had been 10% higher/lower, equity for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$234,145 thousand and NT\$249,338 thousand, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the credit quality of trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors such as financial condition, external and internal credit scoring, historical experience, and economic conditions, which may affect the customer's paying ability. The Company holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas.

As of December 31, 2022 and 2021, the Company's ten largest customers accounted for 46% and 59% of its total trade receivables (including receivables from related parties), respectively. The Company believed that the concentration of credit risk is relatively insignificant for the remaining trade receivables.

Financial credit risk

The Company's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Corporate Treasury function. The Company only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

3) Liquidity risk

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual and undiscounted payments, including principal and estimated interest.

December 31, 2022

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 10,939,392	\$ -	\$ -	\$ -	\$ 10,939,392
Lease liabilities	74,543	134,123	129,066	469,412	807,144
Interest bearing	<u>3,975,985</u>	<u>6,965,862</u>	<u>3,635,747</u>	<u>1,838,682</u>	<u>16,416,276</u>
	<u>\$ 14,989,920</u>	<u>\$ 7,099,985</u>	<u>\$ 3,764,813</u>	<u>\$ 2,308,094</u>	<u>\$ 28,162,812</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 74,543</u>	<u>\$ 263,189</u>	<u>\$ 311,659</u>	<u>\$ 139,055</u>	<u>\$ 18,698</u>	<u>\$ -</u>

December 31, 2021

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 13,580,768	\$ -	\$ -	\$ -	\$ 13,580,768
Lease liabilities	75,639	137,111	130,715	512,042	855,507
Interest bearing	<u>3,272,506</u>	<u>7,076,478</u>	<u>1,371,007</u>	<u>1,036,924</u>	<u>12,756,915</u>
	<u>\$ 16,928,913</u>	<u>\$ 7,213,589</u>	<u>\$ 1,501,722</u>	<u>\$ 1,548,966</u>	<u>\$ 27,193,190</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 75,639</u>	<u>\$ 267,826</u>	<u>\$ 320,221</u>	<u>\$ 185,202</u>	<u>\$ 6,619</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates were to differ from those estimates of interest rates determined at the end of the reporting period.

31. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, detail of transactions between the Company and related parties are disclosed below.

a. Related parties and their relationships associated with the Company:

<u>Related Parties</u>	<u>Relationship with the Company</u>
Macronix America, Inc. (MXA)	Subsidiary
Mxtran Inc. (Mxtran)	Subsidiary
Macronix (Hong Kong) Co., Limited (MXHK)	Indirect subsidiary
Macronix Europe N.V. (MXE)	Indirect subsidiary
Macronix Pte Ltd (MPL)	Indirect subsidiary
Macronix (Asia) Limited (MX Asia)	Indirect subsidiary
MegaChips Corporation (MegaChips)	Key management personnel
Ardentec Corporation (Ardentec)	The Company is its major management authority
Macronix Education Foundation (MXIC Foundation)	Others
NCKUEE Alumni Foundation (NCKUEE Foundation)	Others
Wolley Inc. (Wolley)	Others

b. Operating revenues

<u>Line Items</u>	<u>Related Parties Categories/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Key management personnel		
	MegaChips	\$ 10,739,770	\$ 13,704,352
	Subsidiaries		
	MXHK	5,452,475	8,919,103
	Others	<u>2,742,517</u>	<u>2,161,911</u>
		<u>\$ 18,934,762</u>	<u>\$ 24,785,366</u>

Sale prices to foreign related parties were negotiated based on those charged to ultimate customers and were not comparable to those with external customers as foreign related parties were the primary regional distributors. Sales to domestic related parties were priced at a markup on the unit cost of the product, price that was not comparable to those with other customers.

Sales prices for the related parties were not comparable to those for external customers as the Company sells the specific purpose product. The sales terms to the related parties were between 30 to 60 days after monthly closing, similar to those with external customers.

c. Purchases

Related Parties Categories/Name	For the Year Ended December 31	
	2022	2021
Key management personnel MegaChips	<u>\$ 3,234,286</u>	<u>\$ 5,895,828</u>

Materials purchased from related parties were for manufacturing process. The payment term was 30 days after monthly closing and after acceptance of materials.

d. Receivables from related parties

Line Items	Related Parties Categories/Name	December 31	
		2022	2021
Receivables from related parties, net	Subsidiaries		
	MXHK	\$ 260,898	\$ 1,500,143
	MXA	214,742	326,248
	Others	344	-
	Key management personnel		
	MegaChips	<u>764,715</u>	<u>961,722</u>
		<u>\$ 1,240,699</u>	<u>\$ 2,788,113</u>
Other receivables	Subsidiaries		
	Mxtran	\$ 113	\$ 113
	MXHK	<u>48</u>	<u>5</u>
		<u>\$ 161</u>	<u>\$ 118</u>

The outstanding trade receivables from related parties are unsecured. For the year ended December 31, 2022 and 2021, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Parties Categories/Name	December 31	
		2022	2021
Payables to related parties	Key management personnel		
	MegaChips	\$ 2,628,765	\$ 4,388,398
	The Company is its major management authority	<u>113,391</u>	<u>120,798</u>
		<u>\$ 2,742,156</u>	<u>\$ 4,509,196</u>

(Continued)

Line Items	Related Parties Categories/Name	December 31	
		2022	2021
Other payables to related parties	Subsidiaries		
	MXE	\$ 54,327	\$ 45,069
	MX Asia	21,093	22,908
	MXA	9,986	82,498
	Others	4,078	6,937
	Others	<u>10</u>	<u>360</u>
		<u>\$ 89,494</u>	<u>\$ 157,772</u>
			(Concluded)

The outstanding trade payables from related parties are unsecured and will be settled in cash.

f. Other transactions with related parties

Line Items	Related Parties Categories/Name	For the Year Ended December 31	
		2022	2021
Manufacturing expense	The Company is its major management authority		
	Ardentec	\$ 412,104	\$ 387,057
	Subsidiaries	<u>4,400</u>	<u>6,600</u>
		<u>\$ 416,504</u>	<u>\$ 393,657</u>
Operating expense	Subsidiaries		
	MXA	\$ 189,869	\$ 215,187
	MXE	167,322	146,596
	MX Asia	112,602	113,092
	Others	29,481	23,393
	Others	<u>33,234</u>	<u>21,928</u>
		<u>\$ 532,508</u>	<u>\$ 520,196</u>
IT service revenue	Subsidiaries		
	Mxtran	<u>\$ 349</u>	<u>\$ 324</u>
Rental revenue	Subsidiaries		
	Mxtran	<u>\$ 435</u>	<u>\$ 435</u>

The manufacturing expense and operating expense of related parties were comparable to those with other vendors. The payment term was between 30 to 90 days after monthly closing.

The Company leases offices to its subsidiaries (rentals are classified under other income). The amount of lease payment was based on the office space leased by each related party and was collected on a monthly basis.

Under certain contracts, the Company provided the IT service to the above related parties. The specifically negotiated terms were not comparable to those with external customers.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 682,557	\$ 863,154
Post-employment benefits	5,670	5,218
Share-based payments	7,071	18,545
Other long-term employee benefits	<u>(5)</u>	<u>(11)</u>
	<u>\$ 695,293</u>	<u>\$ 886,906</u>

The remuneration of key executives was determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees, natural gas agreements, and land lease agreements:

	December 31	
	2022	2021
Property, plant and equipment, net	\$ 8,275,831	\$ 9,758,877
Pledge deposits (classified as other financial assets - non-current)	<u>207,223</u>	<u>208,268</u>
	<u>\$ 8,483,054</u>	<u>\$ 9,967,145</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2022 and 2021 were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit amounted to approximately NT\$1,045,461 thousand and NT\$395,425 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	<u>\$ 8,623,775</u>	<u>\$ 11,312,421</u>

- c. As a contribution to society, the Company's board of directors passed a resolution to donate to National Cheng Kung University to establish the "School of Computing" in order to cultivate cross domain innovative talents with dual expertise "specific discipline" and "computing" to contribute to the society, and to fulfill the Company's social responsibilities with a donation amount of \$100,000 thousand per year for the next ten years. As of December 31, 2022, the Company has made a donation of \$300,000 thousand to National Cheng Kung University.

- d. On October 26, 2021, the board of directors of the Company approved the continued participation in the joint development plan of IBM “Phase Change Memory” and obtain the authorization of specific analog artificial intelligence technology. The period is from January 2022 to January 2025. The two parties jointly bear the related technology development fees, and the unrecognized contract amount is US\$14,000 thousand.
- e. The Company signed a long-term purchase contract with supplier A and supplier B. According to the contract, the Company shall prepay a certain amount of money as a guarantee, and these suppliers shall supply the Company according to the quantity and price agreed in the contract. As of December 31, 2022, the Company’s prepayments and deposits for supplier A and supplier B were US\$11,994 thousand and \$549,580 thousand, respectively, and the unpaid contract amounts were US\$31,719 thousand and US\$87,120 thousand, respectively.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 12,242,769	0.2324	\$ 2,845,219
USD	214,495	30.71	<u>6,587,130</u>
			<u>\$ 9,432,349</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	107,625	30.71	<u>\$ 3,305,156</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	12,535,435	0.2324	\$ 2,913,235
USD	87,466	30.71	<u>2,686,068</u>
			<u>\$ 5,599,303</u>

December 31, 2021

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 18,356,915	0.2405	\$ 4,414,838
USD	266,402	27.68	<u>7,374,018</u>
			<u>\$ 11,788,856</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	100,337	27.68	<u>\$ 2,777,323</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	18,356,338	0.2405	\$ 4,414,699
USD	69,832	27.68	<u>1,932,945</u>
			<u>\$ 6,347,644</u>

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were NT\$698,078 thousand and NT\$(162,247) thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures):
Table 1 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of 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 (attached)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- 9) Trading in derivative instruments: None
- b. Information on investees: Table 4 (attached)
- c. Information on investments in mainland China:
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriation of investment gains, and limit on the amount of investment in the mainland China area: Table 5 (attached)
 - 2) Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
- d. 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: None

TABLE 1

MACRONIX INTERNATIONAL CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Shares as Collateral
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Ardentec Corporation	The Company serves as member of its board of directors	Financial assets at FVTOCI - non current	35,951,871	\$ 1,783,213	7.33	\$ 1,783,213	None
	United Industrial Gases Co., Ltd.		”	6,671,877	558,236	3.06	558,236	None
	Zowie Technology Co., Ltd.		”	20,426	-	0.07	-	None
MXBVI	<u>Shares</u> Chipbond Technology Corporation	None	Financial assets at FVTOCI - non current	1,088,319	62,470	0.15	62,470	None
	Tower Semiconductor Ltd.	None	”	464,000	615,576	0.42	615,576	None
	Amphastar Pharmaceuticals, Inc.	None	”	49,116	42,264	0.10	42,264	None
	<u>Foreign Convertible Preference Shares</u> Kneron Holding Corporation	None	Financial assets at FVTPL - non current	566,711	88,339	0.92	88,339	None
	Wolley Inc.	Associate (Note)	”	2,400,000	84,737	18.18	84,737	None
	<u>Shares</u> Macronix International Co., Ltd.	The Company	Financial assets at FVTOCI - non current	1,956,619	66,036	0.11	66,036	None
Hui Ying	Raio Technology Co., Ltd.	None	”	1,247,288	33,228	10.03	33,228	None
	Genovior Biotech Corporation	None	”	6,270,000	32,604	3.98	32,604	None
Run Hong	<u>Shares</u> Genovior Biotech Corporation	None	Financial assets at FVTOCI - non current	4,500,000	23,400	2.86	23,400	None

Note: The Company has the ability to participate in the decision-making of the company’s financial and operating policies and has significant influence on the company.

TABLE 2

MACRONIX INTERNATIONAL CO., LTD.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Sales	\$ 10,739,770	25	30 days after monthly closing	Note 31	Note 31	\$ 764,715	17	-
	MXHK	Indirect subsidiary	Sales	5,452,475	13	45 days after monthly closing	Note 31	Note 31	260,898	6	-
	MXA	Subsidiary	Sales	2,733,475	6	Net 60 days	Note 31	Note 31	214,742	5	-
	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Purchase	3,234,286	31	30 days after monthly closing and after acceptance of materials	Note 31	Note 31	2,628,765	49	-
MXHK	The Company	Indirect subsidiary	Purchase	US\$ 187,990	100	45 days after monthly closing	No material difference	No material difference	US\$ 8,496	100	-
MXA	The Company	Subsidiary	Purchase	US\$ 92,560	100	Net 60 days	No material difference	No material difference	US\$ 6,993	100	-

TABLE 3

MACRONIX INTERNATIONAL CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	\$ 764,715	12.44 times	\$ -	-	\$ 701,677 thousand	\$ -
	MXHK	Indirect subsidiary	260,898	6.19 times	-	-	178,027 thousand	-
	MXA	Subsidiary	214,742	10.11 times	-	-	152,587 thousand	-

TABLE 4

MACRONIX INTERNATIONAL CO., LTD.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
The Company	MXA	San Jose, California, USA.	Sales and marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 356,166	\$ 93,240	\$ 93,240	Subsidiary
	MXBVI	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	212,048,000	100.00	2,948,991	124,321	124,281	Subsidiary
	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	98,280	19,008	15,486	Subsidiary
	Run Hong	Taipei, Taiwan	Investment	1,014,432	1,014,432	-	100.00	32,020	(90)	(90)	Subsidiary
	Mxtran	Hsinchu, Taiwan	IC design	755,287	755,287	69,627,323	90.43	11,564	5	-	Subsidiary
MXBVI	New Trend Technology Inc.	San Jose, California, USA.	IC design	923,403	911,049	28,250,000	100.00	303,885	(10,529)	Note	Subsidiary
	MXE	Belgium	After-sales service	2,106	2,106	1,000	100.00	141,906	8,841	Note	Subsidiary
	MPL	Singapore	After-sales service	3,291	3,291	174,000	100.00	5,372	1,175	Note	Subsidiary
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	601,344	98,213	Note	Subsidiary
	MX Asia	Cayman Island	After-sales service	19,744	23,035	600,000	100.00	71,495	5,804	Note	Subsidiary
Run Hong	Mxtran	Hsinchu, Taiwan	IC design	40,318	40,318	3,393,200	4.41	564	5	Note	Subsidiary
Mxtran	Mxtran Holding (Samoa) Co., Ltd. (Mxtran Samoa)	Samoa	Investment holding company	35,979	35,979	1,170,000	100.00	1,063	620	Note	Subsidiary
Mxtran Samoa	Mxtran (H.K.) Holding Co., Limited	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	-	617	Note	Subsidiary

Note: Under relevant regulations, no disclosure of investment gain (loss) is needed.

TABLE 5

MACRONIX INTERNATIONAL CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Macronix Microelectronics (Suzhou) Co., Ltd.	Development of integrated circuit system and software	\$ 296,160	MXHK (Note 2)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 25,548	100	\$ 25,548	\$ 445,677	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA
\$ 296,160	\$ 296,160	\$ 31,565,819

Note 1: The amount was recognized based on the audited financial statements of the investee company.

Note 2: The Company invested in a company located in mainland China indirectly through the existing company in a third country.

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MACRONIX INTERNATIONAL CO., LTD.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash		
Cash in banks		
Checking accounts and demand deposits		\$ 1,916,855
Foreign currency deposits	Including US\$73,656 thousand @30.71, JPY8,952,259 thousand @0.2324, EUR655 thousand @32.72 and RMB267 thousand @4.408	4,365,074
Time deposits	From 2023.01.15 to 2023.12.18, interest rates at 0.3%-4.2%	<u>11,794,303</u>
		18,076,232
Cash equivalents		
Pledge deposits	Classified as other financial assets - non-current	<u>207,223</u>
Total		<u>\$ 17,869,009</u>

MACRONIX INTERNATIONAL CO., LTD.**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Non-related parties	
Client A	\$ 243,531
Client B	233,955
Client C	223,061
Client D	170,842
Others (Note)	<u>2,516,105</u>
Total	<u>\$ 3,387,494</u>

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

MACRONIX INTERNATIONAL CO., LTD.**STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods and merchandise	\$ 1,430,099	\$ 7,550,287
Work in progress	11,858,183	35,354,528
Raw materials	<u>1,374,496</u>	<u>2,004,588</u>
Total	<u>\$ 14,662,778</u>	<u>\$ 44,909,403</u>

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2022		Financial Assets at FVTOCI	Balance, December 31, 2022		Collateral
	Shares	Amount		Shares	Amount	
Financial assets at FVTOCI - non-current						
Ardentec Corporation (Note)	35,951,871	\$ 1,995,329	\$ (212,116)	35,951,871	\$ 1,783,213	None
United Industrial Gases Co., Ltd.	6,671,877	498,055	60,181	6,671,877	558,236	None
Zowie Technology Co., Ltd.	20,426	<u>-</u>	<u>-</u>	20,426	<u>-</u>	None
		<u>\$ 2,493,384</u>	<u>\$ (151,935)</u>		<u>\$ 2,341,449</u>	

Note: It is calculated according to the closing price for the year ended December 31, 2022 and 2021 respectively.

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2022		Share of Profit (Loss)	Accumulative Translation	Financial Assets at FVTOCI	Gross Profit	Share Capital	Balance, December 31, 2022			Net Assets Value
	Shares	Amount						Shares	%	Amount	
Investments account for using equity method											
MXA	100,000	\$ 228,970	\$ 93,240	\$ 35,344	\$ -	\$ (1,388)	\$ -	100,000	100	\$ 356,166	\$ 380,408
MXBVI	212,048,000	2,548,353	124,281	321,229	(51,738)	6,866	-	212,048,000	100	2,948,991	2,951,500
Hui-Ying	-	94,664	15,486	-	(15,392)	-	3,522	-	100	98,280	164,316
Run Hong	-	43,833	(90)	(23)	(11,700)	-	-	-	100	32,020	32,020
Mxtran	69,627,323	<u>12,028</u>	<u>-</u>	<u>(464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	69,627,323	90.43	<u>11,564</u>	<u>11,564</u>
Total		<u>\$ 2,927,848</u>	<u>\$ 232,917</u>	<u>\$ 356,086</u>	<u>\$ (78,830)</u>	<u>\$ 5,478</u>	<u>\$ 3,522</u>			<u>\$ 3,447,021</u>	<u>\$ 3,539,808</u>

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF CHANGES IN RIGHTS-OF-USE ASSETS AND ACCUMULATED DEPRECIATION OF RIGHT-OF-USE-ASSETS
DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Total
Cost						
January 1, 2022	\$ 905,456	\$ 40,347	\$ 14,910	\$ 5,118	\$ 2,000	\$ 967,831
Additions	-	78	17,590	4,415	1,999	24,082
Expiration	-	-	(16,801)	(5,118)	(2,000)	(23,919)
Lease modification	14,418	(33)	(1,135)	-	-	13,250
December 31, 2022	<u>919,874</u>	<u>40,392</u>	<u>14,564</u>	<u>4,415</u>	<u>1,999</u>	<u>981,244</u>
Accumulated depreciation						
January 1, 2022	169,707	25,706	14,910	4,081	1,500	215,904
Depreciation	56,774	8,523	11,817	1,542	1,999	80,655
Expiration	-	-	(16,801)	(5,118)	(2,000)	(23,919)
December 31, 2022	<u>226,481</u>	<u>34,229</u>	<u>9,926</u>	<u>505</u>	<u>1,499</u>	<u>272,640</u>
Carrying amount at December 31, 2022	<u>\$ 693,393</u>	<u>\$ 6,163</u>	<u>\$ 4,638</u>	<u>\$ 3,910</u>	<u>\$ 500</u>	<u>\$ 708,604</u>

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Non-related parties	
Vendor A	\$ 476,424
Vendor B	272,413
Vendor C	182,668
Vendor D	158,961
Vendor E	156,601
Vendor F	135,987
Vendor G	130,835
Others (Note)	<u>1,071,484</u>
Total	<u>\$ 2,585,373</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

MACRONIX INTERNATIONAL CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Rental Period	Discount Rate	Amount
Freehold land	From January 2019 to December 2039	1.22%-1.73%	\$ 714,903
Buildings	From January 2019 to December 2024	1.03%-1.22%	6,315
Machinery Equipment	From January 2022 to December 2023	1.17%-1.56%	5,031
Transportation equipment	From August 2022 to June 2026	1.45%-1.56%	3,920
Miscellaneous equipment	From April 2022 to March 2023	1.22%	<u>502</u>
Total			730,671
Less: Lease liabilities - current			<u>63,094</u>
Lease liabilities - non-current			<u>\$ 667,577</u>

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Repayment Terms and Methods	Interest Rates for the Year (%)	Current Portion	Over Current Portion	Total	Collateral
Secured syndicated loans from Taiwan Corporative Bank	From June 18, 2019 to February 25, 2024. Repayable semi-annually after thirty months from the first request day (February 25, 2019).	2.1888	\$ 1,925,000	\$ 2,887,500	\$ 4,812,500	Machinery and equipment
Unsecured bank borrowings from Taiwan Corporative Bank	From June 18, 2020 to June 18, 2023. Repayable quarterly after the twelfth month from the request day.	1.6810	125,000	-	125,000	-
Unsecured bank borrowings from Far Eastern	From August 25, 2020 to February 25, 2023. Repayable semi-annually after the eighteenth month from the request day.	1.9396	300,000	-	300,000	-
Unsecured bank borrowings from EnTie	From August 18, 2020 to August 18, 2023. Repayable quarterly after the fifteenth month from the request day.	2.0710	187,500	-	187,500	-
Unsecured bank borrowings from SinoPac	From August 25, 2020 to August 25, 2023. Repayable quarterly after the twelfth month from the request day.	1.9467	140,625	-	140,625	-
Unsecured bank borrowings from Fubon	From December 10, 2020 to December 10, 2023. Repayable semi-annually after the eighteenth month from the request day.	1.9321	500,000	-	500,000	-
Unsecured bank borrowings from Mega Bank	From April 15, 2021 to April 15, 2028. Repayable monthly after the thirty-sixth month from the first request day.	1.1250	-	1,000,000	1,000,000	-
Unsecured bank borrowings from Taiwan Corporative Bank	From April 15, 2021 to April 15, 2028. Repayable monthly after the thirty-seventh month from the first request day.	1.4250	-	2,300,000	2,300,000	-
Unsecured bank borrowings from Bank of Taiwan	From April 15, 2021 to April 15, 2028. Repayable monthly after the thirty-seventh month from the first request day.	1.3750	-	600,000	600,000	-
Unsecured bank borrowings from First Bank	From April 15, 2021 to April 15, 2028. Repayable monthly after the thirty-seventh month from the first request day.	1.4250	-	1,100,000	1,100,000	-
Unsecured bank borrowings from Chang Hwa Bank	From April 15, 2021 to April 15, 2031. Repayable monthly after the thirty-seventh month from the first request day.	1.1750	-	787,000	787,000	-
Unsecured bank borrowings from Shanghai Commercial & Saving Bank	From December 24, 2021 to December 24, 2024. Repayable quarterly after the fifteenth month from the request day.	2.1288	250,000	250,000	500,000	-
Unsecured bank borrowings from Far Eastern	From March 18, 2022 to September 18, 2024. Repayable semi-annually after the eighteenth month from the request day.	1.9293	150,000	450,000	600,000	-
Unsecured bank borrowings from Shin Kong Bank	From March 18, 2022 to March 18, 2025. Repayable semi-annually after the eighteenth month from the request day.	2.0238	100,000	400,000	500,000	-
Unsecured bank borrowings from Fubon	From July 15, 2022 to July 15, 2029. Repayable monthly after the thirty-seventh month from the first request day.	1.3108	-	263,000	263,000	-
Unsecured bank borrowings from Mega Bank	From July 15, 2022 to July 15, 2029. Repayable monthly after the thirty-sixth month from the first request day.	1.5250	-	116,000	116,000	-
Unsecured bank borrowings from Bank of Taiwan	From July 15, 2022 to July 15, 2029. Repayable monthly after the thirty-seventh month from the first request day.	1.5750	-	109,000	109,000	-
Unsecured bank borrowings from First Bank	From July 15, 2022 to July 15, 2029. Repayable monthly after the thirty-seventh month from the first request day.	1.5250	-	100,000	100,000	-
Unsecured bank borrowings from Taiwan Business Bank	From July 15, 2022 to July 15, 2029. Repayable monthly after the thirty-seventh month from the first request day.	1.5750	-	54,000	54,000	-
Unsecured bank borrowings from Taiwan Corporative Bank	From July 15, 2022 to July 15, 2032. Repayable monthly after the thirty-seventh month from the first request day.	1.3750	-	557,000	557,000	-
Unsecured bank borrowings from Chang Hwa Bank	From July 15, 2022 to July 15, 2032. Repayable monthly after the thirty-seventh month from the first request day.	1.5750	-	243,000	243,000	-
Unsecured bank borrowings from Taiwan Business Bank	From July 15, 2022 to July 15, 2032. Repayable monthly after the thirty-seventh month from the first request day.	1.5750	-	58,000	58,000	-
Unsecured bank borrowings from Shanghai Commercial & Saving Bank	From August 15, 2022 to August 15, 2025. Repayable quarterly after the fifteenth month from the request day.	1.7173	37,500	262,500	300,000	-
Unsecured bank borrowings from First Bank	From August 15, 2022 to August 15, 2029. Repayable monthly after the thirty-seventh month from the first request day.	1.4250	-	500,000	500,000	-
Less: Arrangement fees			4,800	400	5,200	
Less: Government loan discount			<u>27,283</u>	<u>66,286</u>	<u>93,569</u>	
Total			<u>\$ 3,683,542</u>	<u>\$ 11,970,314</u>	<u>\$ 15,653,856</u>	

MACRONIX INTERNATIONAL CO., LTD.**STATEMENT OF NET REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Shipments	Amount
Flash	1,461,396 kea	\$ 28,040,782
ROM	107,089 kea	10,670,968
Foundry	212 kpcs	3,796,517
Others		<u>750</u>
Net revenue		<u>\$ 42,509,017</u>

Note: Foundry shipments are approximately 8 inches.

MACRONIX INTERNATIONAL CO., LTD.**STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	
Balance, beginning of year	\$ 485,883
Raw material purchased	6,176,050
Raw materials, end of year	(840,480)
Transferred to others	<u>(183,044)</u>
Raw material used	5,638,409
Direct labor	976,136
Subcontract expenses	5,862,758
Manufacturing expenses	<u>14,837,759</u>
Manufacturing costs	27,315,062
Work in progress, beginning of year	11,056,652
Transferred in	972,513
Work in progress, end of year	(11,858,183)
Transferred to others	<u>(6,179,723)</u>
Cost of finished goods	21,306,321
Finished goods, beginning of year	1,314,928
Transferred in	3,045,677
Finished goods, end of year	<u>(1,430,098)</u>
Total	<u>\$ 24,236,828</u>

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Payroll and related expenses	\$ 335,751	\$ 1,127,954	\$ 2,213,244
Marketing and after-sales service fees	308,705	-	-
Commission expenses	118,997	-	-
Freight fees	118,054	-	-
Marketing technology service fees	66,254	-	-
Depreciation	6,401	105,558	623,703
Donation	-	141,541	-
Director's remuneration	-	263,482	-
Research experiment expenses	-	-	2,034,656
Others (Note)	<u>116,352</u>	<u>507,348</u>	<u>1,047,696</u>
Total	<u>\$ 1,070,514</u>	<u>\$ 2,145,883</u>	<u>\$ 5,919,299</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

MACRONIX INTERNATIONAL CO., LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	For the Year Ended December 31					
	2022			2021		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost (Note)						
Salary and bonuses	\$ 3,369,835	\$ 3,676,949	\$ 7,046,784	\$ 3,618,869	\$ 3,963,385	\$ 7,582,254
Labor and health insurance	221,878	204,626	426,504	215,379	181,191	396,570
Remuneration of directors	-	263,482	263,482	-	335,634	335,634
Pension	115,427	110,807	226,234	115,920	106,491	222,411
Others	<u>92,635</u>	<u>138,519</u>	<u>231,154</u>	<u>96,073</u>	<u>113,941</u>	<u>210,014</u>
	<u>\$ 3,799,775</u>	<u>\$ 4,394,383</u>	<u>\$ 8,194,158</u>	<u>\$ 4,046,241</u>	<u>\$ 4,700,642</u>	<u>\$ 8,746,883</u>
Depreciation	<u>\$ 3,688,632</u>	<u>\$ 735,662</u>	<u>\$ 4,424,294</u>	<u>\$ 3,598,189</u>	<u>\$ 591,940</u>	<u>\$ 4,190,129</u>
Amortization	<u>\$ 30,503</u>	<u>\$ 34,393</u>	<u>\$ 64,896</u>	<u>\$ 18,342</u>	<u>\$ 25,518</u>	<u>\$ 43,860</u>

Note:

- As of December 31, 2022 and 2021, the Company had 3,897 and 3,930 employees, respectively. There were 11 and 10 non-employee directors, respectively, for 2022 and 2021.
- Companies whose stocks are listed on the stock exchange or listed on the stock counter trading center should disclose the following information:
 - The average employee welfare expense for the current year is \$2,041 thousand (“Total employee welfare expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who are not concurrent employees”). The average employee welfare expense for the previous year is \$2,146 thousand (“Total employee welfare expenses for the previous year-Total directors’ remuneration”/“Number of employees for the previous year-Number of non-part-time directors”).
 - The average employee salary expenses for the current year is \$1,813 thousand (the total salary expenses for the current year/“the number of employees in the current year-the number of directors who are not part-time employees”). The average salary of the previous year is \$1,934 thousand (the total salary expenses of the previous year/“the number of employees in the previous year-the number of directors who have not served concurrently as employees”).
 - Changes in the average employee salary expense adjustment -6% (“Average employee salary expense for the current year-Average employee salary expense for the previous year”/Average employee salary expense for the previous year).
 - The Company has established an audit committee on June 10, 2009, so it has no supervisor in 2022 and 2021.
 - Remuneration to the Company’s directors and managers are distributed in accordance with the Articles of Incorporation and the law and by referring to the industry standards in Taiwan and overseas. The Company’s relevant policies on the salary and compensation of employees are formulated and serve as the basis for the distribution of year-end bonus, performance bonus and employees’ compensation.