

Stock Code : 3532

Formosa Sumco Technology Corporation

2021 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I. Letter to Shareholders

1. 2021 Business Report

The consolidated revenue for Formosa Sumco Technology Corp. (hereinafter referred to as "FST" or "the Company") in year 2021 was NT\$12,166,313,000, showing a 2% grow compared to the NT\$11,934,697,000 in 2020. The consolidated pretax income was NT\$1,691,433,000 showing a 8% incline, NT\$123,456,000 increase compared to the NT\$1,567,977,000 in 2020.

In 2021, the COVID-19 pandemic has accelerated the Company's digital transformation by boosting sales of laptops, tablets, and servers and more. Moreover, the rapid market penetration of 5G smartphones, coupled with electric vehicles and automotive electronics including the advanced driver assistance systems (ADAS) becoming the mainstream in new cars, have also led wafer OEMs and RAM manufacturers to operate at full capacity, and these effects have led to positive growth in silicon wafer sales. However, the inflation of the NTD led exchange rate to affect NT\$161.383 million of our profit, causing the profit to only grow by 8% over the previous period.

To break through the difficulties with under supply, besides removing bottlenecks in existing plants and actively introducing AI to improve the production process capacity, the Company also launched various reasonable improvements to effectively reduce the production costs, enhance the competitiveness of the Company, and respond to the rapid changes in the environment. In addition, to meet the demand from the booming silicon wafer market, the Company has also announced a NT\$28.26 billion investment toward plant expansion of

the 300 mm plant. By deploying SUMCO's pioneering technology and utilizing strengths in our localized supply chain, we expect to cater to customer demand on a timely basis, as well as to satisfy the customers' demand for high-quality silicon wafer in the not-too-distant future.

In terms of corporate social responsibility (CSR), the Company was awarded "Excellent Safety and Health Enterprise" by the Ministry of Labor in 2021 as well as the "Five-Star Enterprise Award" from the Yunlin County Government. We constantly uphold our management vision for focusing on both production and environmental protection, and since Taiwan lacks sufficient resources and energy, we strive to produce with the minimal amount of energy and materials by following our philosophies of "Diligence, perseverance, frugality, and trustworthiness" as well as "Inquire into the root of the matter". We are committed to circular economy and reuse, and strive to develop Taiwan's economy as well as social prosperity. For many years, we have persisted in emphasizing both economic development and environmental protection. We have long dedicated ourselves to active improvements in terms of pollution prevention. The best process technology has been adopted and advanced pollution prevention measures have been installed since our production sites' inception. Moreover, control procedures are also rigorously enforced. Currently, we have already processed various pollutants at standards more rigorous than nationally required standards, and we have also set environmental objectives to reduce our power and water consumption, as well as the amount of industrial waste generated to reduce the

burden on the environment, and to achieve the goal of zero pollution. Below is a summary of the Company's production and sales and operating status in 2021:

1.1 Production and Sales:

Product name	Production	Sales volume
Silicon wafer (thousand pieces)	8,010	7,972

The annual product sales in 2021 were NT\$12,166,313,000, in which domestic sales totaled NT\$8,895,922,000, accounting for 73% of the total sales, and export volume were NT\$3,270,391,000, accounting for 27% of total sales.

1.2 Operating Status:

Consolidated operating revenues in 2021 reached NT\$12,166,313,000, showing a NT\$231,616,000 increase, or 2% increase, from the NT\$11,934,697,000 in 2020. After deducing the operating costs of NT\$9,613,840,000 and administrative and marketing expense of NT\$736,454,000, the operating income totaled NT\$1,816,019,000. After deducting the non-operating expense of NT\$124,586,000, the 2021 pre-tax income totaled NT\$1,691,433,000, showing an 8% increase from 2020.

2. 2022 Business Plan Overview, Future Development Strategies, and the Effects of External Competition, the Regulatory Environment, and the Overall Business Environment

Looking back on 2021, the Chairman and CEO of SUMCO, the world's second-largest semiconductor silicon wafer manufacturer, Mr.

Mayuki Hashimoto, has stated that the shortage in the semiconductor silicon wafer supply will continue to 2026. The market demand is strong for 300 mm, 200 mm, and 150 mm silicon wafers, and he emphasized that the current market environment is "very good, so good that it's troubling." Alternatively, according to the annual wafer industry analysis report published by international semiconductor industry association SEMI in February, the global silicon wafer output volume in 2021 has increased by 14% from the previous period, and total revenue has grown by 13% and surpassed US\$12 billion. Both are exceptional, record-breaking figures. SEMI stated that the significant increase in both silicon wafer output volume and revenues indicated the level of dependency the current economy is on silicon wafer. Wafer spearheads the digital transformation movement as well as various emerging technologies, and has formulated our future living and work styles.

Silicon wafer is the basis component to building semiconductors, and it is a crucial component to all electronic products, including computers, communications, and consumer electronics. After going through iterations of high-tech design, the silicon wafer is a thin circular disk with various sizes (1 to 12mm) in diameters. The semiconductor components, or "chips", are usually made by building on this foundation. Therefore, with the popularization of 5G structure throughout the world and the launching of 5G phones one by one, and the increased demand of enterprises' digital transformation, AI, electric vehicles, and automotive electronics including ADAS, there is an under-supply in the production capacity for semiconductors.

New wafer plants are continuing to expand their capacity, boosting the demand for silicon wafer.

In view of this, in response to the progress of semiconductor technology generation, in addition to constantly deploying the latest production technology, the Company also pursues smart production and product quality enhancement with the assistance of AI. In terms of expanding our 300 mm wafer, though effects from COVID continue and the market continues to experience a shortage of materials and labor, we will power through these challenges and strive to achieve mass production in 2024 according to our schedule, since our most important operating goal is to satisfy customer needs.

To fulfill our responsibilities as a corporate citizen, the Company continues to promote ESG (environmental, social, and governance). On top of upholding our management mission and exceptional governance, we are also committed to the environmental and social sustainable development. While dealing with climate changes, we aim to achieve both environmental and economic growth and development. Besides focusing on process improvements to conserve power and water use and to reduce GHG emissions, we have also expanded our circular economy actions, managed our risks related to environmental changes, and joined our suppliers and customers in promoting green economy based on the concept that we are all part of this world. All of these actions are crucial to the Company's active promotions of corporate social responsibility.

In terms of talent cultivation, we uphold our principle of "employees are important assets to the Company". Besides strengthening the

employees' professional competencies and reinforcing their safety and health education, we also feel that digital technology, information security, and moral and ethics are also indispensable to employee training.

Looking forward to 2022, the Company will enhance our sensitivity to information in order to build the most comprehensive corporate systems and to reinforce our competitiveness. We will implement actions to respond to market changes and build on employee cohesion to successfully expand our 300 mm plant. Together, we will make Formosa Sumco Technology Corp. stronger, increase our revenues and profitability, and achieve sound operational performance in the midst of this rapidly changing market. The following management objectives have been formulated for 2022:

2.1 To strictly comply with laws and regulations, and to strengthen safety and environmental management systems.

- To reiterate that safety is the Company's priority, and to fully execute safety procedures under such principle.
- To avoid major incidents caused by earthquakes, wind disasters, floods, and other disasters, and to promote environmental, water, and other ecological environmental protection (ECO).

2.2 To achieve a "base wafer" position in customers' production.

- To provide reliable product supply and assurance system to customers, and realize a zero-defect system and strengthen preventive measures.
- To provide the most suitable products/services based on customer characteristics and maintain a competitive edge.

- Review medium and long-term sales and marketing strategies with the goal of becoming a leading company.

2.3 Strengthen the Company's systems by improving the production of 200 mm wafers and the reasonable marketing of 300 mm wafers.

- Improve equipment productivity and labor-intensive yield through deploying and expanding visible AI technologies.
- Promote reasonable production through automating labor-intensive processes.

2.4 Integrate Company activities through management objectives and information sharing.

- Strengthen the Company's business systems by integrating manufacturing, sales, and technologies.
- Enhance employee morale by promoting cohesion and aligning the management together with the employees.
- Strengthen talent development through on-the-job-training (OJT).

2.5 Build a stable auxiliary material supply system by reinforcing the supply chain.

- Establish a successful and standardized supplier management model based on the Company's product quality.
- Build supplier relations with those who prioritize transactions with Formosa Sumco Technology Corp.

2.6 Enhance the factory framework by promoting total productive management (TPM) activities.

II. Company Profile

1. Date of Incorporation: Nov 21, 1995

2. Milestones

1995 Nov	Founded
Dec	Taiwan and Japan, the two sides signed a technology licensing and assistance agreement.
1996 Jan	Start sales agent silicon wafer material of Komatsu Electronic Metals Co., Ltd.
Feb	The land of Mailiao silicon wafer factories completed ground improvement.
Dec	Mailiao silicon wafer factory started
1998 Aug	Clean-room completed
Oct	The first one 8-inch crystal silicon ingot produced.
1999 Jan	The Factory Registration Certificate of Ministry of Economic Affairs obtained.
Mar	Mailiao silicon wafer factory opening ceremony
Dec	ISO 9002 Certification obtained.
2001 Mar	ISO 14001 Certification obtained.
2002 Dec	ISO 9001 Certification (2000 edition) obtained.
2003 Mar	Quality Systems ISO 9001 Certification obtained.
2005 Feb	Technology licensing and assistance agreement for 300mm wafer signed.
Apr	OHSAS 18001 Certification obtained.
May	Quality Systems TS 16949 Certification obtained.
Aug	Begin construction for 300mm wafer.
2006 Jul	The first one 12-inch crystal silicon ingot produced.
Sep	Public Offering.
Oct	SUMCO M & A parent Komatsu Electronic Metals Co., Ltd.
Nov	Emerging traded.
Dec	TPM Excellence Award Certification obtained.

2007 Jan	Renamed as "Formosa Sumco Technology Co."
Aug	Excellent foreign gold dealers Award obtained.
Dec	Public listing.
2008 Sep	The first one 500KG 12-inch crystal silicon ingot produced.
2009 Mar	Vision magazine Outstanding Enterprises awarded the CSR technology industry group B.
2010 May	CLA "Occupational Safety and Health Management System Guidelines (TOSHMS)" Certification obtained.
Jul	CLA occupational safety and health management systems' performance recognized.
2012 Jan	TPM Excellence Constant Award Certification obtained.
2013 Dec	" Merit healthy workplace 2013 " - health promotion certification "vibrant vitality" award obtained.
2015 Apr	Set up a subsidiary –Japan Formosa Sumco Technology Corp.
2017 Jan	Received the “2016 Excellent Health Workplace”–Health Promotion Pilot Award of the National Health Service of the Ministry of Health and Welfare of the Executive Yuan.
2018 Mar	IATF 16949 Certification obtained.
2020 Mar	ISO 45001 Certification obtained.
2021 Jan	Performance Recognition of the Occupational Safety and Health Management Systems obtained.
2021 Nov	Selected as the Excellent Unit for Promoting Occupational Safety and Health in 2021 by the Ministry of Labor the Yunlin County Government

3. Business philosophy- Industrious and simple, Absolute perfection, Sustainable development, Contributing to society.

Upholding good corporate management culture of Formosa Plastics to operate the company, pursuing sustainable development. Due to Formosa Plastics past fifty years' effort, Formosa Plastics has developed into a comprehensive industrial group across the various fields. The power source which let Formosa Plastics constant expanding, growing and

thriving is the spirit “Industrious and simple, Absolute perfection, Sustainable development, Contributing to society” that repeatedly stressed, practiced personally by two founders Mr. Wang Yung-Ching and Mr. Wang Yung-Zai.

In business management, a deep understanding of the company is that only have good management foundation can prompt the company to sound management ,not because of objective conditions change radically shaken. Upholding the spirit of final analysis, seeking truth from facts to constant cost down and efficiency improvement for a long time in all aspects, production and marketing, staffing or resource use, etc. This spirit had become the important core of the company culture, and the motive power of the company to pursuit progress and sustainable development.

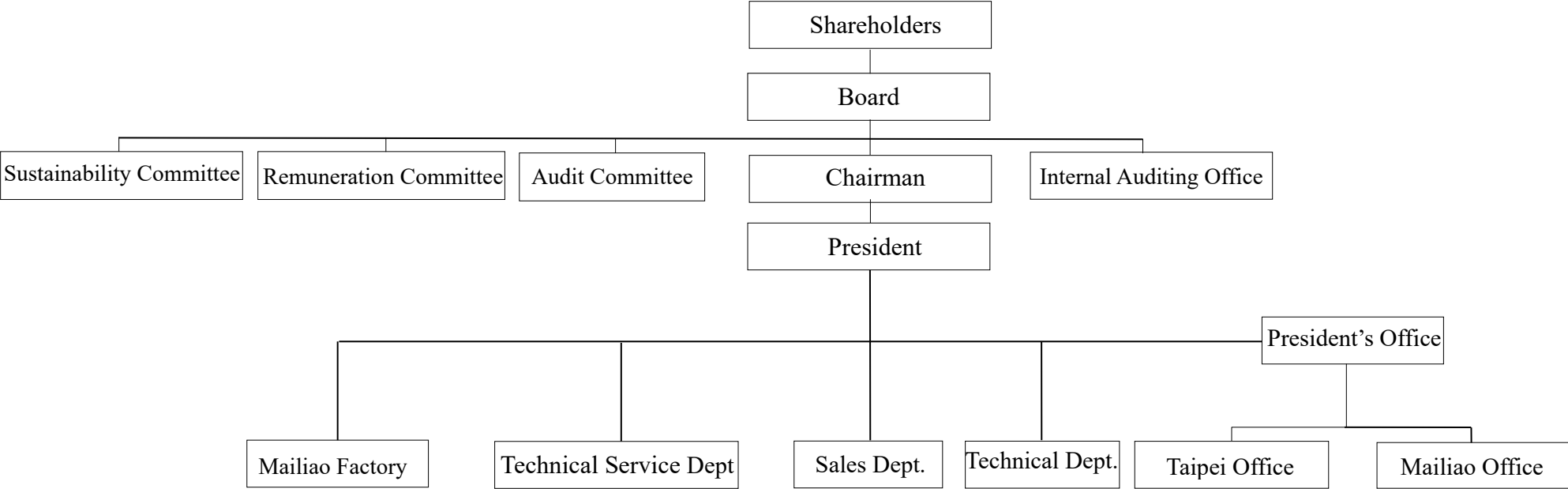
On the other hand, we have always maintained that the company only when create a reasonable profit and make a good contribution to society can have full meaning of existence. In addition to successful business career, the company has continued to support Formosa Plastic’s investment in education, health care and care for the disadvantaged public welfare, expanding its scale, to improve efficiency and quality, in order to fulfill the responsibility of corporate citizenship.

4. Company Vision

In the silicon wafer industry which is engaged, combining SUMCO Group's superior technology and excellent management system of Formosa Plastics, constant pursuit of quality improvement and cost rationalization to provide cheaper and high quality silicon wafers to domestic customers. By increasing market share to enhance the company's overall competitiveness and expect to achieve the scale of world-class in the future ,and become the industry leader and regard sustainable development as the goal.

III. Corporate Governance

1. Organization Structure



Major Corporate Functions

Department	Functions
President's Office	To unify the affairs which related to board of directors and shareholders' meeting, accounting and business analysis , human resources policy, raw materials procurement plan and market, vendor evaluation, production planning and shipping matters, establishment and implementation of the company's various management systems, improvement and implementation of information construction, cross-department project coordination, expansion and construction of the plant design and planning, supervision, industrial safety and environmental supervision and improvement.
Silicon Wafer Factory	Production of 200mm and 300mm wafer, the establishment of quality system, the development and improvement of technology.
Sales Dept.	Price setting of 200mm and 300mm wafer, marketing, market development, customer service.
Corp. Audit	Responsible for internal control system and evaluates the integrity and comprehensiveness of regulations; Examines whether internal control is conducted effectively and continuously, measures the performance of each department and recommends corrective actions on a timely manner for an overall effective operation.

2. Directors and Management Team

2.1 Directors

2.1.1 Information of Directors and Supervisors (I)

2022/04/25

Title (Note 1)	Nationality/ Place of Incorporation	Name	Age & Gender (Note 2)	Date Elected	Term	Date First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Jason Lin	Male Over 71 years old	2021. 07.28	3 years	2015. 06.18	0	0	394	0	12,750	0	-	-	Master of Science in Environmental Sciences, Wageningen Agricultural University	Chairman & President of FPC	None	None	None
Chairman	R.O.C	FPC	-	2021. 07.28	3 years	1995. 11.07	112,707,716	29.06	112,707,716	29.06	-	-	-	-	-	-	-	-	-
Vice Chairman	Japan	Michi- haru Takii	Male 61-70 years old	2021. 07.28	3 years	2012. 06.25	0	0	0	0	-	-	-	-	B.S. in Law, Tokyo University	Representa- tive Director & Vice Chairman of SUMCO Corp.	-	-	-
Director	Japan	STC	-	2021. 07.28	3 years	1995. 11.07	176,742,849	45.57	176,742,849	45.57	-	-	-	-	-	-	-	-	-

Director	R.O.C	William Wong	Male Over 71 years old	2021. 07.28	3 years	2006. 10.18	0	0	0	0	-	-	-	-	M.S.in Industrial Engineering, Houston University	Chairman of CNFI, Chairman of TTF,Chairman of Formosa Chemicals & Fibre Corporation and Formosa Taffeta Co., Ltd.	-	-	-
Director	R.O.C	Susan Wang	Female 51-60 years old	2021. 07.28	3 years	2009. 06.12	0	0	0	0	-	-	-	-	B.A. in Economics, Barnard College, U.S.	Managing Director of FPC & FPCC	-	-	-
Director	Japan	Jiro Ryuta	Male 61-70 years old	2022. 04.18	3 years	2022. 04.18	0	0	0	0	-	-	-	-	M.S.in Science and Engineering University of Tsukuba	Representative Director & Executive Vice President of SUMCO Corp.	-	-	-
Director	Japan	STC	-	2021. 07.28	3 years	1995. 11.07	176,742,849	45.57	176,742,849	45.57	-	-	-	-	-	-	-	-	-
Director	Japan	Keiichi Tanaka	Male 61-70 years old	2021. 07.28	1 year	2020. 06.11	0	0	0	0	-	-	-	-	M.S. in Design Engineering, Technology University of Nagaoka	President of FST	-	-	-
Director	Japan	STC	-	2021. 07.28	3 years	1995. 11.07	176,742,849	45.57	176,742,849	45.57	-	-	-	-	-	-	-	-	-
Director	Japan	Akira Inoue	Male 61-70 years old	2021. 07.28	3 years	2021. 07.28	0	0	0	0	-	-	-	-	B.S. In Electrical Engineering, Aoyama Gaku University (Japan)	Vice President of FST	-	-	-

Independent Director	R.O.C	ZhiGang Wang	Male Over 71 years old	2021. 07.28	3 years	2006. 10.18	0	0	0	0	-	-	-	-	Ph.D. in Business Administration, Texas A&M University, USA	Chairman of CTBC Venture Capital Co., Ltd. & Indepe- ndent Director of NAN YA PLASTICS Corp.	-	-	-
Independent Director	Japan	Norika- zu Hatana- ka	Male 61-70 years old	2021. 07.28	3 years	2008. 06.20	0	0	0	0	-	-	-	-	B.A. in Chinese Department, Tenri University	Chairman of Sokuwa CO.,LTD	-	-	-
Independent Director	Japan	Hidemi Sumiya	Male 61-70 years old	2021. 07.28	3 years	2018. 06.21	0	0	0	0	-	-	-	-	B.S. in Law, Kyoto University		-	-	-
Total							289,450,565	74.63	289,450,959	74.63	12,750	0							

Note 1 : Disclose the names of institutional shareholders and its directors represent of, respectively, and fill in following Table 1.

Note 2 : Please list your actual age and express it in intervals, such as 41-50 years old or 51-60 years old.

Note 3 : Fill in the date first elected as directors. If there is any interruption, it should be noted.

Note 4 : The work experiences of anyone above relating to their current roles, e.g. previous employment in the CPA firm or employment in an affiliated company, must be addressed with detailed job titles and responsibilities.

Note 5 : Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response: None.

Major shareholders of the institutional shareholders

2022/04/25

Name of Institutional Shareholders (Note 1)	Major Shareholders (Note 2)
SUMCO TECHXIV Corporation	SUMCO Corporation(100%)
Formosa Plastics Corporation	Chang Gung Medical Foundation(9.44%)、Formosa Chemicals & Fiber Corp.(7.65%)、Credit Suisse AG Credit Suisse Singapore Branch(6.26%)、Nanya Plastics Corp.(4.63%)、Chindwell International Investment Corp.(4.16%)、Vanson International Investment Co.,Ltd.(3.05%)、Formosa Petrochemical Corp.(2.07%)、Government of Singapore(1.50%)、Ming Chi University of Technology (1.43%)、New Labor Pension Fund(1.25%)

Note 1 : Disclose the names of institutional shareholders that the directors represent of.

Note 2 : Disclose the names and ownership interests of major shareholders (top-10 in terms of shareholding percentage) for each listed institutional shareholders. Table 2 below is used if the major shareholder is also an institutional shareholders.

Major shareholders of the Company's major institutional shareholders

2022/04/25

Name of Institutional Shareholders (Note 1)	Major Shareholders (Note 2)
SUMCO Corporation	The Master Trust Bank of Japan, Ltd. (Trust account)(11.78%)、Custody Bank of Japan, Ltd. (Trust account)(5.76%)、Government of Norway(3.78%)、Mitsubishi Materials Corporation (2.81%)、SMBC Nikko Securities Inc.(2.71%)、SSBCT Client Omnibus Account(2.71%)、MSCO Customer Securities(2.57%)、GIC Private Limited-C(2.10%)、UBS AG London A/C IPB Segregated Client Account (2.05%)、BNY GCM Client Account JPRD AC ISG (FE-AC)(1.57%)
Chang Gung Medical Foundation	Nanya Plastics Corp.(19.51%)、Formosa Chemicals & Fiber Corp.(15.02%)、Formosa Plastics Corp.(14.41%)、Mr. Wang Yong-tsai (12.19%)、Wang Yong-ching (7.97%)

Formosa Chemicals & Fibre Corp.	Chang Gung Medical Foundation(18.58%)、Chindwell International Investment Corp.(6.35%)、Vanson International Investment Co., Ltd.(3.80%)、Formosa Plastics Corp. (3.39%)、Nanya Plastics Corp.(2.40%)、Fubon Life Insurance Co.,Ltd.(2.22%)、William Wong (2.20%)、Consolidated Power Development Corp.(1.63%)、Standard Chartered Bank (Taiwan) Ltd. in Custody for Genesis Equity Group Inc.(1.51%)、HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp. (1.45%)
Credit Suisse AG Credit Suisse Singapore Branch	Trust Account
Nanya Plastics Corp.	Chang Gung Medical Foundation(11.05%)、Formosa Plastics Corp.(9.88%)、Formosa Chemicals & Fibre Corp.(5.21%)、Chang Gung University(4.00%)、Vanson International Investment Co.,Ltd.(2.39%)、Formosa Petrochemical Corp.(2.26%)、Chindwell International Investment Corp.(1.86%)、LGT Bank (Singapore) Ltd.(1.50%)、Citibank Taiwan Limited in Custody for Macro System Corp.(1.45%)、Credit Suisse AG Credit Suisse Singapore Branch (1.20%)
Chindwell International Investment Corp.	Everred Corporate, Inc. (100%)
Vanson International Investment Co.,Ltd.	Landmark Capital Holdings Inc.(100%)
Formosa Petrochemical Corp.	Formosa Plastics Corp.(28.56%)、Formosa Chemicals & Fibre Corp.(24.15%)、Nanya Plastics Corp.(23.11%)、Chang Gung Medical Foundation(5.79%)、Formosa Taffeta Co., Ltd.(3.83%)、Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.(0.60%)、HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation(0.51%)、Standard Chartered Bank (Taiwan) Ltd. In Custody for Central Capital Management Inc.(0.49%)、HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation(0.48%)、New Labor Pension Fund(0.47%)
Government of Singapore	Trust Account
Ming Chi University of Technology	Wang Yong-ching (43.23%)、Mr. Wang Yong-tsai (38.81%)、Nanya Plastics Corp.(5.08%)、Chindwell International Investment Corp.(3.74%)、Formosa Chemicals & Fibre Corp.(1.66%)
New Labor Pension Fund	Trust Account

Note 1 : Where major shareholders listed in Table 1 above are institutional shareholders, the names of the institutional shareholders are displayed.

Note 2 : Disclose the names and ownership interests of major shareholders (top-10 in terms of shareholding percentage) for each listed institutional shareholders.

Note 3 : If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

2.1.2 Information of Directors and Supervisors (II)

2022/04/25

Condition Name	Professional Qualification and Background	Independence Status	Number of Company whom He/She Concurrently Serves as An Independent Director
Formosa Plastics Corp. (FPC) Jason Lin	<p>Rich background and experience in plastics, textile fibers, chemicals, fuels, semiconductors, steel, and sea shipment. Currently the Chairman and Directors of the aforesaid industrial associations; Currently the Chairman of the Taiwan Synthetic Resins Manufacturers Association and the Executive Director of the Petrochemical Industry Association of Taiwan.</p> <p>Equipped with leadership, decision making, emergency handling, and risk management skills, as well as global perspective, he manages the affairs of the Company's subsidiaries and or investment companies in Mainland China and the United States, and actively promotes the Company's digital transformation to artificial intelligence (AI) technology.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>Whose spouse or second-degree relatives didn't serve as the Director of the Company, comply with Article 26-3 of the Securities and Exchange Act.</p>	0
William Wong	<p>Rich background and experience in plastics, textile fibers, chemicals, fuels, semiconductors, steel, sea shipment and biotechnology. Served as the senior supervisors in the aforesaid industries; Currently serves as the Chairman and Director of the relevant companies.</p> <p>Equipped with leadership skill, decision-making skill, emergency handling skill, and global perspective, He is the leader of multinational corporations in Mainland China, the United States of America and Vietnam, and is currently the Chairman of the Taiwan Textile Federation.</p> <p>Expertise in engineering technology and AI, leading the Company from energy reservation, carbon reduction, circular economy, to AI simulation and digital transformation.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>One director of the Company is his spouse or a relative within the second degree of kinship. The number doesn't exceed half of the total number of directors, in compliance with the provision of Article 26-3 of the Securities and Exchange Act.</p>	0

Susan Wang	<p>Rich background and experience in plastics, fuels, textile fibers, chemicals, semiconductors, steel, sea shipment and biotechnology. She served as the senior supervisor of an American petrochemical corporation; She currently serves as the Director of the listed companies/multinational companies in the aforesaid industries. Equipped with leadership skill, strategic planning skill, emergency handling skill, risk management skill, global perspective and insights. She guides and implements KPI performance management and monitor the ESG of the Company.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>One director of the Company is his spouse or a relative within the second degree of kinship. The number doesn't exceed half of the total number of directors, in compliance with the provision of Article 26-3 of the Securities and Exchange Act.</p>	0
Sumco Techxiv Co., Ltd. Michiharu Takii	<p>Rich industrial knowledge and management experience, equipped with leadership skill, emergency handling skill, and risk management skill. He is currently the Vice Chairman of the Board of Directors of SUMCO Corporation.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>Whose spouse or second-degree relatives didn't serve as the Director of the Company, comply with Article 26-3 of the Securities and Exchange Act.</p>	0
Sumco Techxiv Co., Ltd. Tatsuta Jirou	<p>Rich industrial knowledge and management experience, equipped with leadership skill, emergency handling skill, and risk management skill.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>Whose spouse or second-degree relatives didn't serve as the Director of the Company, comply with Article 26-3 of the Securities and Exchange Act.</p>	0
Sumco Techxiv Co., Ltd. Tanaka Keiichi	<p>Expertise in engineering technology; He served as the CTO of the SUMCO Corporation, accumulating years of experience in management and decision making.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>Whose spouse or second-degree relatives didn't serve as the Director of the Company, comply with Article 26-3 of the Securities and Exchange Act.</p>	0
Inoue Satoshi	<p>Expertise in engineering technology; He served as the Plant I Vice Director of Sumco Techxiv Co., Ltd., accumulating years of experience in management and decision making.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>Whose spouse or second-degree relatives didn't serve as the Director of the Company, comply with Article 26-3 of the Securities and Exchange Act.</p>	0

Zhi-Gang Wang	<p>PhD. in marketing, Texas A&M University. He served as the Department Director of the Department of International Trade, NTU, Minister of Ministry of Economic Affairs; He is currently the Chairman of CTBC Venture Capital Co., Ltd. He has comprehensive experience in public sectors and is well-versed in venture business, corporate management, and international affairs.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	None of the person, whose spouse or second-degree relatives complies with the conditions in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
Norikazu Hatanaka	<p>Equipped with Chinese language skill and the rich experience of working overseas. He founded Hatanaka Corporate Management Company and serves as its chairman, dedicating to the cooperation between Japanese and Taiwanese companies.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	None of the person, whose spouse or second-degree relatives complies with the conditions in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Hidemi Sumiya	<p>Graduated from the Department of Law, Kyoto University. She now serves as the consultant of SUMCO Corporation.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	None of the person, whose spouse or second-degree relatives complies with the conditions in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0

2.1.3 Board Diversity and Independence

2.1.3.1 Board Member Diversity Policy

A. There are 10 members of the company's board of directors, with diversified industry experience, professional management background and management decision-making capabilities. The relevant information of each director is as follows:

General Information				Industry Experience			Also Employee	Age			Independent director's tenure			Professional business background and decision-making ability						
Title	Name	Nationality	Gender	petrifaction	finance	Technology		51 to 60 years old	61 to 70 years old	Over 71 years old	Less than 3 years	3 to 9 years	Over 9 years	Leadership Decision	Operation Judgment	Management	Crisis Management	Industrial Knowledge	International Outlook	Accounting Analysis
Chairman	Jason Lin	R.O.C	M	V		V			V				V	V	V	V	V	V	V	V
Vice Chairman	Michiharu Takii	Japan	M			V		V					V	V	V	V	V	V	V	V
Director	William Wong	R.O.C	M	V		V			V				V	V	V	V	V	V	V	V
Director	Susan Wang	R.O.C	F	V		V	V						V	V	V	V	V	V	V	V
Director	Jiro Ryuta	Japan	M			V		V					V	V	V	V	V	V	V	V
Director	Keiichi Tanaka	Japan	M			V	V	V					V	V	V	V	V	V	V	V
Director	Akira Inoue	Japan	M			V	V	V					V	V	V	V	V	V	V	
Independent Director	Zhi-Gang Wang	R.O.C	M		V				V			V	V	V	V	V	V	V	V	V
Independent Director	Norikazu Hatanaka	Japan	M			V			V			V	V	V	V	V	V	V	V	V
Independent Director	Hidemi Sumiya	Japan	M			V			V	V			V	V	V	V	V	V	V	V

B. In order to implement gender equality among board members, the company has set a goal that at least 10% of board members should be female directors. There is currently one female director on the board of directors of the company, with a female ratio of 10%, which has reached the set target.

2.1.3.2 Board Member Independence Policy

- A. To enhance the supervisory function of the board of directors, the company shall set up independent directors, and the number shall not be less than two. And not less than one-fifth of the number of directors. There are 3 independent directors on the board of directors of the company, and the ratio of independent directors is 30%, which is better than the requirements of the Securities and Exchange Act.
- B. All the board of directors do not have a spouse relationship with each other, and those with second-degree relatives do not have more than half of the number of directors, which complies with Article 26-3 Paragraph 3 of the Securities and Exchange Act.

2.2 Management Team

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General President	Japan	Keiichi Tanaka	Male	2020.06.11	0	0	-	-	-	-	M. S. in Design Engin- eering, Technology University of Nagaoka	Chairman of JFST Corp.	-	-	-
Vice President	R.O.C	Shun- Ho Wu	Male	2021.03.23	64	0	-	-	-	-	B.A. in Mechanical Engineering, Chenggong University ; Manager of FST	-	-	-	-
Vice President (Note 4)	Japan	Akira Inoue	Male	2021.07.28	0	0	-	-	-	-	B.S. In Electrical Engineering, Aoyama GakuUniversity(Japan)	-	-	-	-
Financial Officer (Note 5)	Japan	Miwa Minoru	Male	2022.03.04	0	0	-	-	-	-	B.A. in Economics, Kwansei Gakuin University	-	-	-	-
Accounting Supervisor	R.O.C	Ping-Yueh Yu	Male	2019.08.09	26	0	-	-	-	-	B.A. in Finance, National Sun Yat-sen University	-	-	-	-

Note 1 : Include background information of the President, Vice Presidents, Assistant Vice Presidents, heads of various departments and branches, and anyone of equivalent authority to the above, regardless of their job titles.

Note 2 : The work experiences of anyone above relating to their current roles, e.g. previous employment in the CPA firm or employment in an affiliated company, must be addressed with detailed job titles and responsibilities.

Note 3 : Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response: None.

Note 4 : On July 28, 2021, Mr. Akira Inoue was appointed as the vice president of the company.

Note 5 : On March 4, 2022, Mr. Miwa Minoru was promoted as the financial officer of the company.

2.3 Succession planning for members of the Board and mid-level and senior management

- 2.3.1 Elections of the company's directors are conducted with the candidate nomination system, and shareholders will elect from a list of nominees. Currently, directors have been nominated by substantial shareholders and elected by the Shareholders' Meeting. Each director possesses professional skills including operational management, knowledge of the industry, and international market perspective. The company arranges for 6 hours of continued studies to assist directors to obtain various professional knowledge required to perform their duties during their term of office.
- 2.3.2 Based on the company's needs to achieve sustainable development and to ensure talent cultivation for mid-tier and senior management to carry out successful succession, the company has established the "Mid-tier and Senior Management Talent Development Guidelines" which includes standards on conditions and selection principles of the personnel to be developed, talent development measures, and review of criteria of being promoted. The principle of talent development for managerial officers stipulates that at least two persons will be selected to ensure one competent candidate at the time of succession.
- 2.3.3 For any deficiencies or lack of experience found in the talent development candidate, the company will enhance his/her experience through job rotations or by increasing the person's scope of responsibilities. In addition, the annual work and goal achievement of the development candidate will be incorporated into the person's regular performance evaluation in accordance with evaluation procedures, and the regular work performance evaluation will be used as the basis of assessment on the person's year-end performance evaluation. Candidates who achieve "excellent" scores on the year-end performance evaluation will be the first ones to be considered during promotions.

3. Remuneration of Directors, President, and Vice Presidents

3.1 Remuneration of Directors

Unit: NT\$ thousands 2021/12/31

Title	Name	Remuneration								Total Remuneration (A+B+C+D) and the Ratio to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Total Compensation (A+B+C+D+E+F+G) and the Ratio to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)	
Chairman	FPC Jason Lin																					
Vice Chairman	STC Michiharu Takii																					
Director	William Wong																					
Director	Susan Wang	0	0	0	0	0	0	320	320	320	320	5,113	5,113	0	0	6	0	6	0	5,439	5,439	None
Director	STC Kazuo Hiramoto									(0.02)	(0.02)									(0.39)	(0.39)	
Director & President	STC Keiichi Tanaka																					
Director & Vice President	Akira Inoue																					
Director	Zhi-Gang Wang																					
Director	Norikazu Hatanaka	5,400	5,400	0	0	0	0	430	430	5,830	5,830	0	0	0	0	0	0	0	0	5,830	5,830	
Director	Hidemi									(0.41)	(0.41)									(0.41)	(0.41)	

- 1.State the policy, system, standards and structure of independent directors' remuneration, and describe all the correlations with remuneration according to the responsibilities, risks, and time spent:
The Company does not provide directors' compensation. The independent directors' remuneration is based on a fixed payment. The main consideration is to maintain their independence and facilitate the supervision function. The Company paid the independent directors with NT\$1.8 million remuneration and gave transportation allowance with NT\$10,000 for each attendance of Board meeting. According to the Company's "Rules Governing the Scope of Powers of Independent Directors", the responsibilities and risks of independent directors include: overseeing fair presentation of the financial reports, the hiring (and dismissal), independence, and performance of CPAs, the effective implementation of the internal control system, compliance with relevant laws and regulations, management of the existing or potential risks, etc. The Company has insured directors' liability insurance for independent directors. The independent directors of the Company participate Board of Directors' meeting at least 6 times, audit committees meeting at least 4 times, and remuneration committees at least 2 times per year. In order to implement the integrity of the Company's business operations, the independent directors review the internal audit report every month, and regularly communicate with internal audit officer and CPAs against internal control and financial statements issues. The communication situation is detailed in "Audit Committee Meeting Status".
- 2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None.

Range of Remuneration Paid to Directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	Companies in the consolidated financial statements (Note 9) H	The company (Note 8)	Companies in the consolidated financial statements (Note 9) I
Under NT\$1, 000, 000	Jason Lin 、William Wong 、Susan Wang 、Keiichi Tanaka 、Akira Inoue 、Michiharu Takii 、Kazuo Hiramoto 、FPC 、SUMCO TECHXIV Corp.	Jason Lin 、William Wong 、Susan Wang 、Keiichi Tanaka 、Akira Inoue 、Michiharu Takii 、Kazuo Hiramoto 、FPC 、SUMCO TECHXIV Corp.	Jason Lin 、William Wong 、Susan Wang 、Akira Inoue 、Michiharu Takii 、Kazuo Hiramoto 、FPC 、SUMCO TECHXIV Corp.	Jason Lin 、William Wong 、Susan Wang 、Akira Inoue 、Michiharu Takii 、Kazuo Hiramoto 、FPC 、SUMCO TECHXIV Corp.
NT\$1, 000, 001 ~ NT\$2, 000, 000	Zhi-Gang Wang 、Norikazu Hatanaka 、Hidemi Sumiya	Zhi-Gang Wang 、Norikazu Hatanaka 、Hidemi Sumiya	Zhi-Gang Wang 、Norikazu Hatanaka 、Hidemi Sumiya	Zhi-Gang Wang 、Norikazu Hatanaka 、Hidemi Sumiya

NT\$2,000,001~NT\$3,500,000	-	-	-	-
NT\$3,500,001~NT\$5,000,000	-	-	Keiichi Tanaka	Keiichi Tanaka
NT\$5,000,001~NT\$10,000,000	-	-	-	-
NT\$10,000,001~NT\$15,000,000	-	-	-	-
NT\$15,000,001~NT\$30,000,000	-	-	-	-
NT\$30,000,001~NT\$50,000,000	-	-	-	-
NT\$50,000,001~NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	12	12	12	12

Note 1 : Names of directors should be separately disclosed (Institutional shareholders should disclose the names of the institutional shareholders and representatives separately). The amount of remuneration should be disclosed in summary. If a director concurrently serves as the President or Senior Vice President, this table and the following table must be filled out.

Note 2 : It refers to the directors' compensation received for the recent year (including salaries of the directors, special responsibility allowance, severance pay, various bonuses, incentives, etc.).

Note 3 : It refers to the remuneration of directors to be distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of Board of Directors.

Note 4 : It refers to the relevant expenses for business operations paid to directors for the recent year (including transportation allowance, special allowance, various allowances and the provision of dormitory and vehicle, etc.). When a car, house and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also disclose the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration.

Note 5 : It refers to the salaries, special responsibility allowance, severance pay, various bonuses, incentives, transportation allowance, special allowance, and the provision of dormitory and vehicle received by the directors who concurrently serve as employees (including President, Senior Vice President, and other managerial officers and employees) in the recent year. When a house, car, and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also describe the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization.

Note 6 : It refers to the employee compensation (including stock and cash) received by the directors who concurrently serve as employees (including concurrent President, Senior Vice President, and other managerial officers and employees) in the recent year. It is required to disclose the amount of employee remuneration to be distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of Board of Directors. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. The following table shall be filled out as well.

Note 7 : Disclose the total amount of remuneration paid to the directors by all the companies included in the consolidated financial statements (including the Company).

Note 8 : Disclose the name of the directors in the respective range of total remuneration received from the Company

Note 9 : Disclose the name of the directors in the respective range of total remuneration received from all the companies included in the consolidated financial statements (including the Company).

Note 10 : It refers to the net income of the recent year. After the adoption of IFRSs, it refers to the net income in the parent company only financial reports or individual financial reports of the recent year.

Note 11 : a. It is required to specify in this column the relevant remuneration amount the directors of the Company received from the invested companies other than the subsidiaries.

b. If the Company's director has received the relevant remuneration from the invested companies other than the subsidiaries, the received amount should be included in Column I. In addition, the column title shall be revised as "Compensation Paid to Directors from Invested Companies".

c. Compensation shall mean the remuneration, reward, employee bonus, and expense for business operation paid to the Company's directors by the invested companies other than the subsidiaries and such directors concurrently serves as directors, supervisors, or managerial officers of the invested companies.

*Compensations in the table are different from incomes for income tax law. Therefore, figures in the table are mainly for information disclosure and cannot be used as the basis for taxation.

3.2 Remuneration of the President and Vice Presidents

Unit: NT\$ thousands 2021/12/31

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Total Compensation (A+B+C+D) and the Ratio to net income (%) (Note 8)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary (Note 9)
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company		Companies in the consolidated financial statements (Note 5)		The company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Keiichi Tanaka	8,926	8,926	0	0	0	0	16	0	16	0	8,942 (0.63)	8,942 (0.63)	None
Vice President	Shun -Ho Wu													
Vice President	Akira Inoue													

Range of Remuneration Paid to President and Vice Presidents

Range of Remuneration	Name of President and Vice Presidents	
	The company (Note 6)	Companies in the consolidated financial statements (Note 7) E
Under NT\$ 1, 000, 000	Akira Inoue	Akira Inoue
NT\$1, 000, 001~2, 000, 000	-	-
NT\$2, 000, 001~3, 500, 000	-	-
NT\$3, 500, 001~5, 000, 000	Keiichi Tanaka 、 Shun-Ho Wu	Keiichi Tanaka 、 Shun-Ho Wu
NT\$5, 000, 001~10, 000, 000	-	-
NT\$10, 000, 001~15, 000, 000	-	-
NT\$15, 000, 001~30, 000, 000	-	-
NT\$30, 000, 001~50, 000, 000	-	-
NT\$50, 000, 001~100, 000, 000	-	-
Over NT\$100, 000, 000	-	-
Total	3	3

* It should include the information disclosure of the position equivalent to president, or vice president.

Note 1 : Names of President and Vice President should be separately disclosed. The amount of remunerations should be disclosed in summary. If a director concurrently serves as the President or Vice President, this table and the above table must be filled out.

Note 2 : It refers to the President's and Vice President's salary, special responsibility allowance, and severance pay.

Note 3 : It refers to the bonuses, incentives, transportation allowance, special allowance, the provision of dormitory and vehicle, and other compensations received by the President and Vice President in the recent year. When a house, car, and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also describe the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization

Note 4 : It refers to the employee remuneration (including stock and cash) received by the President and Vice President that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not been submitted to the Shareholders Meeting for approval. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution

ratio for last year. The following table shall be filled out as well. It refers to the net income of the recent year. After the adoption of IFRSs, it refers to the net income in the individual or independent financial statements of the recent year.

Note 5 : Disclose the total amount of remuneration paid to the President and Vice President by all the companies (including the Company) included in the consolidated financial statements.

Note 6 : Disclose the name of the President and Vice President in the respective range of total remuneration received from all the Company.

Note 7 : Disclose the total amount of remuneration paid to the President and Vice President by all the companies (including the Company) included in the consolidated financial statements. Disclose the name of the President and Vice President in the respective range of total remuneration received.

Note 8 : It refers to the net income of the recent year. After the adoption of IFRSs, it refers to the net income in the parent company only financial reports or individual financial reports of the recent year.

Note 9 : a. It is required to specify in this column the relevant remuneration amount the President and Vice President of the Company received from the invested companies other than the subsidiaries.

b. If the President and Vice President have received the relevant remuneration from the invested companies other than the subsidiaries, the received amount should be included in Column E. In addition, the column title shall be revised as“Compensation Paid to the President and Vice Presidents from Invested Companies”.

c. Remuneration shall mean the compensation, reward, employee bonus, and expense for business operation paid to the Company’s President and Vice President by the invested companies other than the subsidiaries and such President and Vice President concurrently serve as directors, supervisors, or managerial officers of the invested companies.

* Compensations in the table are different from incomes for income tax law. Therefore, figures in the table are mainly for information disclosure and cannot be used as the basis for taxation.

3.3 Employee Compensation of Executive Officers

Unit: NT\$ thousands 2021/12/31

	Title (Note 1)	Name (Note 1)	Employee Compensation -in Stock	Employee Compensation -in Cash	Total	Total Employee Compensation as a % of Net Income (%)
Executive Officer	President	Keiichi Tanaka	0	21	21	0.001
	Vice President	Shun-Ho Wu				
	Vice President	Akira Inoue				
	Financial Officer	Ping-Yueh Yu(Substitute)				
	Accounting Supervisor	Ping-Yueh Yu				

Note 1 : Names and job title of each individual should be separately disclosed. The amount of remunerations can be disclosed in summary.

Note 2 : It refers to the employee remuneration (including stock and cash) received by the managerial officers that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of Board of Directors. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. It refers to the net income of the recent year. After the adoption of IFRS, it refers to the net income in the parent company only financial reports or individual financial reports of the recent year.

Note 3 : The scope of application for managers is defined in accordance with the Tai.Chai.Chen (III) No. 0920001301 Letter dated March 27, 2003 by the SEC as follows:

- (1) President and the equals
- (2) Senior Vice President and the equals
- (3) Vice President and the equals
- (4) General Manager of Finance
- (5) General Manager of Accounting
- (6) Managerial officers and the individuals authorized to sign

Note 4 : If Directors, President, and Senior Vice President have collected employee remuneration (including stock and cash), in addition to filling out the above table, and it should fill in this table too.

Note 5 : On March 23, 2021 and July 28, 2021, Mr. Rong Xiang Zhao and Mr. Mitsuru Ikenoue was changed to Mr. Shun-Ho Wu and Mr. Akira Inoue as the vice president of the company.

Note 6 : On August 2, 2021, Mr. Mitsuru Ichikawa was changed to Mr. Ping-Yueh Yu as the financial officer(Substitute) of the company.

3.4 Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents

1. The ratios of compensations paid to the company's directors, president and vice presidents from the company and all companies in the Consolidated Financial Statements to the after-tax net income are as follow:

Unit: %

Year/Item	2021	2020
Director	0.80	0.88
President and Vice President	0.63	0.84

Explanation:

- (1) Compensations for directors include compensations for directors who concurrently serve as managers.
 - (2) The ratio of compensations paid to directors, the president and vice presidents to the after-tax net income has decreased in 2021 compared to the previous year. This decrease can be attributed to the 8% increase in after-tax net income in 2021 compared to 2020.
2. Remuneration policies, standards and packages, and their correlations with the company's business performance and future risk exposure:
- (1) The company has established the Remuneration Committee, and salaries, bonuses, and compensations for directors and managers are proposed by the Remuneration Committee and submitted to be discussed at the Board meeting.
 - (2) The handling of compensations for directors and supervisors is delegated to the Board of Directors, and proposed in consideration of directors' levels of participation in the company's operations and value of contribution, and by referencing industry standards in accordance with the Company's Articles of Association.
 - (3) The Remuneration Committee and the Board of Directors have reached the solution that, except for the independent directors who will be paid a fixed monthly compensation, the current directors and supervisors will not receive remunerations. In addition, directors who concurrently serve as managers will not be paid honorarium fees, while the other directors and supervisors will receive fixed honorarium fees based on actual Board meeting attendance records.

- (4) The President's and Deputy General Manager's compensations are handled in accordance with the company's Articles of Incorporation and Article 29 of the Company Act. In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the company's operating conditions. Special rewards are adjusted and issued with reference to the target achievement rate, operating results, industrial safety incidents, water and energy saving and other matters. Fixed monthly salary is also adjusted by the Remuneration Committee in reference to the company's overall employee salary adjustment standards.
- (5) The Remuneration Committee convened 2 meetings in 2021 to make recommendations to the Board of Directors on the standards and structures of managers' compensations, respective evaluation systems and range of salary adjustments, and standards for distributing year-end bonuses.

4. Status of Corporate Governance

4.1 Operations of the Board of Directors

The Board of Directors convened seven meetings in the most recent year, and the attendance records of directors are as follows:

Title	Name (Note 1)	Actual attendance	Attendance by proxy	Actual attendance ratio (%) (Note 2)	Remarks
Chairman	Formosa Plastics Corp. (FPC) Jason Lin	7	0	100	Reappointed on July 28, 2021
Vice Chairman	Michiharu Takii	7	0	100	
Director	William Wong	7	0	100	
Director	Susan Wang	7	0	100	
Director	Sumco Techxiv Co., Ltd. Kazuo Hiramoto	7	0	100	Former director as of April 18, 2022
Director	Sumco Techxiv Co., Ltd. Jiro Ryuta	0	0	NA	Newly elected on April 18, 2022
Director	Sumco Techxiv Co., Ltd. Keiichi Tanaka	7	0	100	Reappointed on July 28, 2021
Director	Mitsuru Ikenoue	3	0	100	Former director as of July 28, 2021
Director	Akira Inoue	4	0	100	Newly elected on July 28, 2021
Independent Director	Zhi-Gang Wang	7	0	100	Reappointed on July 28, 2021
Independent Director	Norikazu Hatanaka	7	0	100	
Independent Director	Hidemi Sumiya	7	0	100	
Other required disclosures:					
I. Where the proceedings of the Board meeting include one of the following circumstances, then the date, session, content of proposals, opinions of every independent director, and the company's handling of the opinions shall be described:					
(1) Items listed in Article 14-3 of the Securities and Exchange Act:					

The company has established an audit committee, so Article 14-3 is not applicable.

- (2) In addition to the aforementioned matters, any other resolutions from the Board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writing: None.

II. When directors recuse themselves for being a stakeholder in certain proposals, the name of the directors, the content of the proposal, reasons for recusal and the results of voting counts shall be stated:

(1) Board of Directors Meeting on March 23, 2021

1. Names of Directors: Michiharu Takii, William Wong, Susan Wang and Kazuo Hiramoto.
2. Content: The release of the prohibition on Directors from participating in competitive businesses by the General Shareholders' Meeting.
3. Reasons for recusal: Recusal was required for Vice Chairman Michiharu Takii and attending Directors William Wong, Susan Wang and Kazuo Hiramoto and due to they were the parties to this case.
4. Results of voting: Except for recusal from the aforementioned directors, the proposal was approved by all other attending directors.

(2) Board of Directors Meeting on March 23, 2021

1. Names of Directors: Jason Lin, William Wong and Susan Wang.
2. Content: The company's loaning of funds to Formosa Plastics Corp.
3. Reasons for recusal: Recusal was required for Chairman Jason Lin and attending Directors William Wong and Susan Wang and due to their respective roles as the Chairman and Managing Director and corporate representative of the borrowing company.
4. Results of voting: Except for recusal from the aforementioned directors, the proposal was approved by all other attending directors.

(3) Board of Directors Meeting on July 28, 2021

1. Names of Directors: Zhi-Gang Wang, Norikazu Hatanaka and Hidemi Sumiya.
2. Content: The appointment of Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya to serve as members of the Company's Remuneration Committee.
3. Reasons for recusal: Recusal was required for Independent Directors Chih-Kang Wang, Norikazu Hatanaka and Hidemi Sumiya and due to they were the parties to this case.
4. Results of voting: Except for recusal from the aforementioned directors, the proposal was approved by all other attending directors.

(4) Board of Directors Meeting on August 11, 2021

1. Names of Directors: Zhi-Gang Wang, Norikazu Hatanaka and Hidemi Sumiya.
2. Content: To propose compensations for the Company's current Directors.
3. Reasons for recusal: Recusal was required for Independent Directors Chih-Kang

Wang, Norikazu Hatanaka and Hidemi Sumiya and due to they were the parties to this case.

4. Results of voting: Except for recusal from the aforementioned directors, the proposal was approved by all other attending directors.

(5)Board of Directors Meeting on November 11, 2021

1. Names of Directors: Jason Lin, William Wong and Susan Wang.

2. Content: The signing of the "Land Lease Contract" in Mailiao and "Property Lease Contract" in Taipei.

3. Reasons for recusal: Recusal was required for Chairman Jason Lin and attending Directors William Wong and Susan Wang and due to their respective roles as the Chairman and Managing Director and corporate representative of the company.

4. Results of voting: Except for recusal from the aforementioned directors, the proposal was approved by all other attending directors.

III. Listed OTC companies should disclose the information about the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self (or peer) evaluation: The company's board of directors approved the company's "Regulations for the Performance Evaluation of the Board of Directors." on August 12, 109, and conducts annual performance evaluations of the board of directors, individual directors and functional committees in accordance with these measures. The company has evaluated the performance of the board of directors, individual board members and functional committees in 2021, and the evaluation results are all goodness, and has submitted to the board of directors of December 21, 2021.

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	2020.10.01 - 2021.09.30	Board of Directors	Directors Self-evaluation	1. Level of participation in corporate operations 2. Improving the quality of the Board of Directors' decision-making 3. Composition and structure of the Board of Directors 4. Election and continuing education of Directors 5. Internal control
Once a year	2020.10.01 - 2021.09.30	Individual Directors	Directors Self-evaluation	1. Understanding of the Company's goals and tasks 2. Understanding of the duties and functions of Directors 3. Level of participation in

					corporate operations 4. Internal relationship management and communication 5. Professional and continuing education for Directors 6. Internal control
Once a year	2020.10.01 - 2021.09.30	Audit Committee	Directors Self-evaluation	1. Level of participation in corporate operations 2. Understanding of the duties and functions of the Audit Committee 3. Improving the quality of the Audit Committee's decision-making. 4. Composition of the Audit Committee and election of committee members 5. Internal control	
Once a year	2020.10.01 - 2021.09.30	Remuneration Committee	Directors Self-evaluation	1. Level of participation in corporate operations 2. Understanding of the duties and functions of the Remuneration Committee 3. Improving the quality of the Remuneration Committee's decision-making 4. Composition of the Remuneration Committee and election of committee members	

IV. Measures taken to strengthen the functions of the Board for the current year and the most recent year and the implementation

(1) Operations of the company's Board of Directors are performed in accordance with relevant laws, the company's Articles of Association, and resolutions from the Shareholders' Meeting. In addition to having professional knowledge, skills, and characters required to perform duties, all directors also strive to create the maximum interests and profits for all shareholders based on their fiduciary duty and due

diligence.

- (2) To establish a strong governance system and sound supervisory capabilities and to strengthen the management function for the company's Board of Directors, the Rules of Procedure for Board of Directors Meeting have been established pursuant to the regulations of the competent authority. Besides regularly conducting self-evaluation on the operations of the Board's operations to strengthen its functionalities, the company's internal auditors also prepare audit reports on the operations of the Board of Directors to ensure that supervisory function is fulfilled for the shareholders.
- (3) The Remuneration Committee has been set up to fulfill corporate governance pursuant to regulations of the competent authority, and meetings have been convened on January 25, 2021 and August 11, 2021 respectively to evaluate the policy and system of compensations for managers, and recommendations have been submitted to the Board for discussion.
- (4) The Audit committee has been set up on June 21, 2018 pursuant to regulations of the competent authority, and meetings have been convened on March 23, 2021, May 12, 2021, August 11, 2021 and November 10, 2021 respectively, and resolutions have been submitted to the Board for resolution to fulfill corporate governance.

Note 1: For directors who are juristic persons, the name of institutional shareholders and their representatives shall be disclosed.

Note 2:

- i. In case any director has been released of his/her duty before the end of the year end, the date of turnover shall be specified in the Remarks column. Actual presence (attendance) rate (%) shall be calculated based on the number of Board meetings convened and the actual attendance during his/her term of service.
- ii. In case any seat of director has been re-elected before the end of the year, both the previous and current director shall be filled, and the Remarks column shall indicate whether a director was from a previous term, newly appointed, or re-appointed, and the date of re-election. Actual presence (attendance) rate (%) shall be calculated based on the number of Board meetings convened and the actual presence (attendance) during his/her term of service.

4.2 Operations of the Audit Committee

Audit Committee has convened 4 meetings (A) in the most recent year. The attendance records of independent directors are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance ratio (%) (B / A) (Note)	Remarks
Independent Director	Zhi-Gang Wang	4	0	100	Reappointed on July 28, 2021
Independent Director	Norikazu Hatanaka	4	0	100	
Independent Director	Hidemi Sumiya	4	0	100	

Other required disclosures:

I. If any of the following circumstances applies to the operations of the Audit Committee, the date, session, content of proposals, resolutions of the Audit Committee, and the company's handling of the opinions of the Audit Committee shall be stated.

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

Date and session of the Board meeting	Content of proposal	
1st Board of Directors Meeting in 2021 (March 23, 2021)	1. Preparations of the 2020 Business Report	
	2. The release of the prohibition on Directors from participating in competitive businesses by the General Shareholders' Meeting.	
	3. Draw up the company's loaning of funds to Formosa Plastics Corp.	
	4. The appointment of a new Internal Audit Manager.	
	5. The Company's draft of the "Declaration of Internal Control System."	
	Resolutions of the Audit Committee	Approved by all attending Committee members.
	The company's handling of opinions of the Audit Committee and Board resolutions	Except for some directors in the second and third cases who evade from voting, approved by the remaining directors.
2nd Board of Directors Meeting in 2021 (May 12, 2021)	1. Draw up the company's loaning of funds to Japan Formosa Sumco Technology Corp.	
	2. The Company's amendment of regulations pertaining to share transfer procedures.	
	Resolutions of the Audit Committee	Approved by all attending Committee members.
	The company's handling of opinions of the Audit	Approved by all attending directors.

	Committee and Board resolutions	
6th Board of Directors Meeting in 2021 (November 10, 2021)	1. Replacement of the Company's CPA.	
	2. The signing of the "Land Lease Contract" in Mailiao and "Property Lease Contract" in Taipei.	
	3. The Company's proposal to expand the 300 mm silicon wafer fab.	
	Resolutions of the Audit Committee	Approved by all attending Committee members.
	The company's handling of opinions of the Audit Committee and Board resolutions	Except for some directors in the second case who evade from voting, approved by the remaining directors.

(2) Except for the above matters, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee: None.

II. In regards to the recusal of independent directors due to conflict of interests, the names of the independent directors, the content of proposals, reasons for recusal, and results of voting shall be stated: None.

III. Communications between the independent directors and the Internal Audit Manager and the CPAs (including material matters, methods, and results of communications over the company's finances and business operations):

(1) Communications between Independent Directors and the CPAs:

The Audit Committee of the company is formed by all Independent Directors. After the certified public accountants (CPAs) have audited or reviewed financial reports prepared by the company, the Audit Committee will report and communicate with the Independent Directors for at least twice a year regarding the financial status and overall operations, and their reviews of the internal control for the company and its domestic and overseas subsidiaries, as well as fully explain whether changes in legal regulations have had any effects on the company's bookkeeping.

(2) Communications between Independent Directors and the Internal Audit Supervisor:

1. Amendments of the company's "Internal Control System" and "Internal Audit Implementation Rules" has been approved by the Audit Committee and submitted to the Board of Directors for approval.

2. The evaluation of the effectiveness of the company's internal control system (including issuing of a statement) has been approved by the Audit Committee and submitted to the Board of Directors for approval.

3. The company's Audit Office regularly submits the company's internal audit report to the Independent Directors for inspection.

4. Before the end of a fiscal year, the company's Audit Office will submit the internal audit plan for the following year to the Board of Directors for approval.

5. Independent Directors and Internal Audit Supervisors meet at least four times a year to report and discuss the status of internal audit and workings of the company's internal control. In addition to issuing audit report regarding deficiencies in the internal control system and abnormalities found during inspections, the progress of their respective revisions is also tracked and monitored to ensure timely and adequate improvement measures are implemented by related departments.

(3) Communications between the independent directors and the Internal Audit Manager and the CPAs:

Date	Method of communication	Subject of communication	Matter communicated	Result of communication
2021.03.23	Audit Committee	Accountants	Preparations of the company's 2020 Financial Statements.	Submitted to the Board of Directors meeting for resolution
2021.03.23	Audit Committee	Internal Audit Manager	The appointment of a new Internal Audit Manager.	Submitted to the Board of Directors meeting for resolution
2021.03.23	Audit Committee	Internal Audit Manager	Drafted the Statement of the Internal Control System	Submitted to the Board of Directors meeting for resolution
2021.03.23	Board of Directors Meeting	Internal Audit Manager	Report on the Implementation of the Audit Plan in November and December of 2020.	Confirmation
2021.05.12	Audit Committee	Accountants	Explanations of the communications over the 2021 Q1 Financial Statements	Decent
2021.05.12	Board of Directors Meeting	Internal Audit Manager	Report on the 2021 Q1 Implementation of the Audit Plan	Confirmation
			To amend the "Internal Control System" and "Internal Audit Implementation Rules" of the company.	Approved
2021.07.07	Board of	Internal Audit	2020 Report on progress of	Confirmation

	Directors Meeting	Manager	improvements of the deficiencies and abnormalities in the internal control system	
2021.07.28	Board of Directors Meeting	Internal Audit Manager	Report on the Implementation of the Audit Plan in April and May of 2021.	Confirmation
2021.08.11	Audit Committee	Accountants	Explanations of the communications over the 2021 Q2 Financial Statements	Decent
2021.08.11	Board of Directors Meeting	Internal Audit Manager	Report on the Implementation of the Audit Plan in June of 2021.	Confirmation
2021.11.10	Board of Directors Meeting	Internal Audit Manager	Report on the 2021 Q3 Implementation of the Audit Plan	Confirmation
2021.11.10	Audit Committee	Accountants	Explanations of the communications over the 2021 Q3 Financial Statements	Decent
2021.12.21	Board of Directors Meeting	Internal Audit Manager	Report on the Implementation of the Audit Plan in October 2021	Confirmation
			Drafted the 2022 Audit Plan	Approved

IV. Annual Key Tasks and Operations

- Functions of the Audit Committee include the following: (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act, (2) Assessment of the effectiveness of the internal control system, (3) The adoption of or amendment to, pursuant to Article 36-1 of the Securities and Exchange Act, the procedures for handling material financial or business activities, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others, (4) Matters in which a director is an interested party, (5) Material asset transactions or derivatives trading, (6) Material loans of funds, endorsements, or provision of guarantees, (7) The offering, issuance, or private placement of equity-type securities, (8) The appointment, dismissal, or compensation of a certified public accountant, (9) The appointment or dismissal of a financial, accounting, or internal audit officer, (10) Annual financial reports, (11) Other material matters as required by the company or by the competent authority.
- 2021 Key tasks: The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, including Consolidated and Individual Financial Statement, and Proposal for Profits Distribution. The CPA firm of Deloitte & Touche was retained to audit Formosa SUMCO Technology Corporation's Financial Statements and has issued an audit report relating to

Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Formosa SUMCO Technology Corporation.

3. Operations: At least one meeting shall be convened in each quarter. The Audit Committee was established on June 21, 2018, and meetings were convened on March 23, 2021, May 12, 2021, August 11, 2021 and November 10, 2021 respectively, with 100% attendance rate from all three Independent Directors.

Note:

- * In case any independent director has been released of his/her duty before the end of the year, the date of turnover shall be specified in the Remarks column. Actual presence (attendance) rate (%) shall be calculated based on the number of meetings convened and the actual attendance during his/her term of service.
- * In case any independent director has been re-elected before the end of the year, both the previous and current independent director shall be filled, and the Remarks column shall indicate whether an independent director was from a previous term, newly appointed, or re-appointed, and the date of re-election. Actual presence (attendance) rate (%) shall be calculated based on the number of meetings convened and the actual presence (attendance) during his/her term of service.

4.3 Corporate Governance Implementation Status and Deviations from the “ Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Did the Company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company passed the resolution of the Board of Directors on November 5th, 2014 and set a Corporate Governance Practice Principles, which was disclosed on the information reporting website designated by the securities authority and the Company’s website.	Consistent with Article 1 and Article 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The content is slightly revised in accordance with the Company's practice, but it is consistent with the spirit of the Code.
2. Shareholding structure and shareholders’ rights				
(1) Did the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has an internal operating procedure for handling shareholder matters and has set up a spokesperson to address shareholder suggestions or concerns at any time. In addition, each functional team in the President Office fully supported the above matters, and have an in-depth understanding and review of the shareholders' suggestions or concerns. After that, an oral or written reply to the satisfaction of the shareholders is proposed.	In compliance with Article 13 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Did the Company maintain a register of major shareholders with controlling power as well as	V		(2) The Company shall pay attention to the situation of any increase, decrease or use as collateral in the shares of shareholders holding more than 5% of shares and holding Director or manager positions,	In compliance with Article 19 of the Corporate Governance Best Practice

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>a register of persons exercising ultimate control over those major shareholders?</p> <p>(3) Did the Company establish and execute the risk management and firewall systems with its affiliated businesses?</p>	V		<p>and has disclosed the information of shareholders holding more than 5% of shares in the quarterly financial report. The Directors, managers and shareholders holding more than 10% of the shares are disclosed monthly by the information reporting website designated by the securities authority.</p> <p>(3) a. Both the Company and its subsidiaries implement profit center management. Each company's personnel, property management rights and responsibilities are clearly divided, and there are no irregular transactions.</p> <p>b. The funds and loans of the Company and its related companies are calculated based on the accrued market interest rate. The amount of loan is reassessed every quarter based on business needs. Guaranteed coverage and limits have also been set for endorsement guarantees for other companies.</p> <p>c. To reduce losses, comprehensive risk assessment for banks, customers, and suppliers are performed. Each company credit authorization to the same customer and stop payment to the same supplier can be review through the computer system.</p> <p>d. The relationship between the Company and the related companies, such as transaction management, endorsement, loans, etc., are monitored. In accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies”,outlined by the Financial supervisory Commission, the Company has set up supervision and management operations to implement the risk control mechanism for its subsidiaries.</p>	<p>Principles for TWSE/TPEX Listed Companies.</p> <p>In compliance with Article 14 to Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(4) Did the Company establish internal rules that prohibit Company insiders from trading securities using undisclosed information?	V		(4)The Company has established rules for personnel management and prevention of insider trading operations to forbid using undisclosed information to buy and sell securities for illegal profits. The employees also receive training to comply with relevant regulations.	In compliance with Article 10-3 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
3. Composition and responsibilities of the Board of Directors: (1) Did the board of directors formulate and implement diversified policies, specific management objectives?	V		(1) Article 20 of Principles of Corporate Governance of the Company states that diversified backgrounds of the Company's Directors should be considered when forming the Board of Directors. Gender and nationality of the Board members shall not be limited, and the overall Board shall possess the following abilities: to make operational judgments, to perform accounting and financial analysis, to conduct management administration, to conduct crisis management, to possess knowledge of the industry and an international market perspective, as well as to have abilities to lead and to make policy decisions. The present member of Board of Directors has 10 Directors includeing 3 Independent Directors and 1 female Directors (account for 10% of all Directors). The goal of all Board members is to possess 50% or more of the diverse industry experiences or expertise. Please refer to Page 22 of this annual report for implementation of the Board members' diversification policy.	In compliance with Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(2) In addition to establishing the Salary and Remuneration Committee and Audit	V		(2) The Company has set up a salary remuneration committee after the resolution of the Board of Directors on December 20th, 2011. The Board of Directors also resolved on June 21st, 2018 to set up the audit	In compliance with Article 28 and Article 28-1 of the Corporate Governance

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
Committee according to the regulations, has the Company voluntarily established other functional committees?			committee. At present, apart from the above two committees, the Company has not set up any other functional committees. In addition, the board of directors of the company decided on May 10, 2022 to establish a sustainable development committee, which is composed of five members including Chairman Jason Lin, Director Keiichi Tanaka, Independent Director Zhi-Gang Wang, Norikazu Hatanaka and Independent Director Hidemi Sumiya. Their main responsibilities are to review the company's sustainability policy and sustainability report, and supervise the promotion of sustainability related matters and implementation plans.	Best Practice Principles for TWSE/TPEX Listed Companies.
(3)Did the company establish a standard to measure the performance of the Board of Directors and implement it annually? Did the Company submit the results of performance assessments to the board of directors and use them as reference in determining remuneration for individual directors, their nomination, and additional office term?	V		(3) On August 12, 2020, the Company's board of directors determined the performance evaluation method of the board of directors and has completed the regular performance evaluation of the board of directors, the Audit Committee, and the Remuneration Committee in 2021. The performance evaluation results were satisfactory. The results of which have been submitted to the Board meeting convened on December 21, 2021. The preceding information could serve as references in determining remunerations, nomination, and re-election of the Company Directors.	In compliance with Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(4)Did the Company regularly evaluate the independence of CPAs?	V		(4) The Company evaluates the independence and competence of CPAs at least once a year, focusing on the size and reputation of the accounting firm, the number of consecutive years of providing audit	In compliance with Article 29 of the Corporate Governance Best Practice

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			services, the nature and extent of providing non-audit services, the audit fees, peer review, whether there are any legal proceedings or investigations by the competent authorities, quality of audit services, regular training, interaction with management and internal audit supervisors, etc. Relevant information and statements are requested from CPAs and the firms. The documents are then evaluated by the President Office, and the results have been submitted to the Board of Directors on March 04, 2022.	Principles for TWSE/TPEX Listed Companies.
4. Did the TWSE/TPEX listed company have designated appropriate personnel to handle corporate governance tasks and set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks (including but not limited to providing information required for Director/Supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change Company registry and producing meeting minutes of board/shareholder meetings)?	V		<p>(1) The Company has set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks on May 09, 2019. Appropriate personnel have also been designated to handle corporate governance tasks.</p> <p>(2) The officer supervises President Office, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on.</p>	In compliance with Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																										
	Yes	No	Summary																											
			<p>(3) Chief Governance Officer Training Records in 2021:</p> <table border="1"> <thead> <tr> <th>Date of Training</th> <th>Course</th> <th>Organization</th> <th colspan="2">Training Hours</th> </tr> </thead> <tbody> <tr> <td>2021. 08. 11</td> <td>Insider Trading</td> <td rowspan="2">Taiwan Corporate Governance Association</td> <td>3</td> <td rowspan="6">18</td> </tr> <tr> <td>2021. 08. 11</td> <td>Corporate Response to the SDGs - A Case Study on Energy</td> <td>3</td> </tr> <tr> <td>2021. 11. 22</td> <td>Global risk trends in the Post-pandemic Era</td> <td rowspan="4">Securities and Futures Institute</td> <td>3</td> </tr> <tr> <td>2021. 11. 22</td> <td>The value of information security in the Post-epidemic Era and the China-US trade war</td> <td>3</td> </tr> <tr> <td>2021. 11. 24</td> <td>Prospects of the Global Economy in the Post-pandemic Era</td> <td>3</td> </tr> <tr> <td>2021. 11. 24</td> <td>The Latest International Trend in Carbon Tariffs and Countermeasures</td> <td>3</td> </tr> </tbody> </table>	Date of Training	Course	Organization	Training Hours		2021. 08. 11	Insider Trading	Taiwan Corporate Governance Association	3	18	2021. 08. 11	Corporate Response to the SDGs - A Case Study on Energy	3	2021. 11. 22	Global risk trends in the Post-pandemic Era	Securities and Futures Institute	3	2021. 11. 22	The value of information security in the Post-epidemic Era and the China-US trade war	3	2021. 11. 24	Prospects of the Global Economy in the Post-pandemic Era	3	2021. 11. 24	The Latest International Trend in Carbon Tariffs and Countermeasures	3	
Date of Training	Course	Organization	Training Hours																											
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2021. 11. 24	Prospects of the Global Economy in the Post-pandemic Era		3																											
2021. 11. 24	The Latest International Trend in Carbon Tariffs and Countermeasures		3																											
5. Has the Company established a communication channel with stakeholders(including but not	V		(1)The Company instructs the President Office to communicate with stakeholders depending on the situation. A spokesperson and a deputy spokesperson have been appointed as the external	In compliance with Article 51 of the Corporate Governance Best Practice																										

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
limited to shareholders, employees, customers and suppliers)? Has a stakeholders’ area been set up on the Company website? Are major sustainability (ESG) topics that the stakeholders are concerned with addressed appropriately by the Company?			<p>communication channel.</p> <p>(2) The Company set up the stakeholder area on the Company website to provide detailed contact information for the dedicated personnel, including phone number and e-mail, as the channels for the stakeholders to communicate with the Company.</p> <p>(3) The Company responds to stakeholders' issues of concern at the appropriate time through the following channels:</p> <p>a. Shareholders: Shareholders' meetings are held annually and shareholders can fully exercise their voting rights through electronic means. In addition, the annual report of the shareholders' meeting, the monthly revenue and the quarterly self-closing profit and loss are issued to facilitate shareholders' understanding of the Company's operating conditions.</p> <p>b. Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through trade unions, factory (office) meetings, etc.</p> <p>c. Suppliers: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the Formosa Plastics electronic trading platform, and regular briefings are held to strengthen two-way communication and advocacy. Also suppliers can ask questions on the electronic trading platform, and the questions will be replied by personnel immediately, to achieve</p>	Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>the goals with good communications.</p> <p>d. Customer: Issues including product quality and after-sales service that customers care about can be addressed through customer visits, participating in exhibitions, product briefings, customer satisfaction surveys, etc. The website also lists the sales service line and e-mail address. Customer complaints are handled through the "Customer Response Form" and the "Customer Complaint Handling Form."</p> <p>(The status of stakeholder communication refers to 1.3 Stakeholder Identification and Communication of 2021 Sustainability Report.)</p>	
6. Does the Company appoint a professional shareholder services agency to deal with shareholder affairs?		V	The shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated share unit, the legal office, and the President Office in accordance with rigorous regulations, so that the shareholders' meeting will be convened in a legal, effective, and safe context to ensure shareholders' rights.	Although it does not meet the requirements of Article 7-1 of the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance?	V		(1) The Company has set up a website in Chinese and English with disclosed relevant financial business and corporate governance information under “Investor Relations Section”. The Company's website is: www.fstech.com.tw	In compliance with Article 57 and Article 59 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(2) Did the Company have other information disclosure channels (such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	V		(2) The Company has a spokesperson and a deputy spokesperson. A dedicated person has been appointed in the President Office to collect and disclose Company information, as well as providing the spokespersons and relevant business departments with answers to stakeholders, investors, and authorities. In addition, the Company has established a Chinese/English language website. The relevant information of the Investor Conference are placed on the company's website.	Companies. In compliance with Article 55 and Article 56 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(3) Does the Company publish and report its annual financial report within two months after the end of an accounting period, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?		V	(3) In principle, the Company submits and announces operating revenue data from the previous month on the 6th in every month and announces self-monitored finance data from the previous quarter on the 10th day in each quarter. The Company also submits and announces financial reports before the deadline in accordance with laws and regulations. The Company does not announce annual financial statements two months within the end of an accounting period due to CPA's auditing operation time.	It does not meet the requirements of Article 55 paragraph 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee wellness, investor relations, supplier relations, stakeholders' rights, Directors and Supervisors training records, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	V		<p>(1) Employees' rights: The Company strives to pursue a harmonious labor-management relationship and attaches importance to the right of employees to express their opinions. We have set up physical suggestion boxes at the places where employees have easy access to, as well as an online suggestion box in the Company information system. Each suggestion box is appointed to dedicated personnel for replying, in order to facilitate communication. An "inspection method" that establishes the internal whistle-blower channel and protection system has also been set up. In the meantime, board of supervisors and labor-management meetings are held by the unions regularly. The heads of relevant departments attend the meetings to fully communicate with the labor representatives. On major labor issues, the Company gives higher priority to the opinions of the unions, and the top leaders consult with the unions to reach a consensus and ensure the harmonious labor-management relationship as well as the sustainable development of the Company.</p> <p>(2) Employee wellness: In order to take care of employees' physical and mental health, the Company has budgeted annual health checks at Chang Gung Memorial Hospital. In addition to the items required by the law, the Company has added cancer screening programs such as A-type fetal protein and cancer embryo antigen. The goal is to ensure the employees understand and improve their health status. In terms of the employees' diet, the Company follows health regulations concerning</p>	In compliance with Articles 52 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>food source, acceptance and storage, water safety and hygiene, food staff and kitchen cleaning operations, and food and tableware cleaning inspections to ensure the health and safety of employees' diet. Besides, the Company has employed counseling personnel in charge of the interview with newcomers, helping them fit in the Company as soon as possible. The counseling personnel could also provide both advice and care when employees face difficulties with work or life. For the relevant welfare measures, please refer to page 153 of the annual report.</p> <p>(3) Investor Relations: The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson system to provide a means of contact with shareholders and corporate investment institutions. In addition to participating in investment forums held by domestic and foreign brokerage firms, the Company holds meetings with both domestic and international investors on irregular basis. There are two Investor Conferences with domestic and foreign investors in 2021.</p> <p>(4) Supplier Relations: The Company's procurement and contracting operations are mainly aimed at creating a level playing field by looking for good manufacturers that can provide suitable and appropriate equipment,</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>materials or projects at reasonable prices to meet the needs of expansion or operation of various departments in a timely manner.</p> <p>a. Open and fair procurement and delivery mechanism: The Company uses the "open tender" method to purchase and distribute the contracting system through the Formosa Plastics electronic trading platform. It provides functions such as inquiry, quotation, bargaining, order, delivery, payment progress inquiry, etc. All information is encrypted by electronic voucher and firewall control to ensure the security of all incoming and outgoing data. Vendors can access the inquiry case and make quotations anytime and anywhere through the Internet without time and space restrictions, which greatly improves the efficiency of operations, saves time and money, and reduces operating costs to increase profits. After all the inquiry cases have been launched electronically, the manufacturers with the lowest quotation, fastest delivery time, and best quality are chosen so that both the buyer and the seller can reasonably achieve the goals in a harmonious atmosphere.</p> <p>b. Sound vendor management: In order to stabilize the quality and delivery of materials and ensure the quality and progress of construction, the Company has conducted evaluation and ranking of all manufacturers through the sound management and evaluation of the manufacturers. In the case of overdue delivery of the products (engineering), poor quality, or violation of the safety regulations, the event will be automatically included in the assessment record in order to replace unqualified manufacturers, and cultivate excellent manufacturers to achieve</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>good relations as well as long-term cooperation between the two sides.</p> <p>c. Electronic trading for a win-win situation: The Company combines the comprehensive ERP computer management system and the digital, open, and transparent online procurement and delivery mechanism to build a high-quality, safe, convenient and fast electronic trading environment. The Company has further extended the same system vertically and horizontally to the rest of the industry, sharing the e-generation "Formosa Plastic experience" with all enterprises. At present, combined with the Company's upstream and downstream supply chain systems, with more than 10,000 suppliers and third-party suppliers, this electronic trading platform shares the business opportunities and economic benefits brought about by open trading.</p> <p>(5) Stakeholders' Rights In addition to continuing to improve in the industry, the Company pursues good business performance and strives to achieve the mission of “caring for the employees, serving the customers, and rewarding the shareholders.” Therefore, it is committed to caring for the shareholders, customers, suppliers, employees, and society. In addition to complying with laws and business ethics, the Company is in line with international standards in enhancing competitiveness, create shareholders' benefits, as well as providing supplies of stable, high-quality and low-cost products. With industrial and environmental protection as a priority, the Company will develop towards eco-industrial areas and promote green building and green energy</p>	

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																			
	Yes	No	Summary																																				
			<p>conservation, raw materials procurement, actively planting forests, paying attention to various social issues, investing in community and social welfare undertakings suitable for enterprises to contribute to the society.</p> <p>(6) Director Training Records</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date of Training</th> <th>Organization</th> <th>Course</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Jason Lin</td> <td rowspan="3">2021.11.24</td> <td rowspan="3">Securities and Futures Institute</td> <td>Prospects of the Global Economy in the Post-pandemic Era</td> <td>3.0</td> </tr> <tr> <td rowspan="2">Director</td> <td>William Wong,</td> <td rowspan="2">The Latest International Trend in Carbon Tariffs and Countermeasures</td> <td rowspan="2">3.0</td> </tr> <tr> <td>Susan Wang</td> </tr> <tr> <td>Director</td> <td>Akira Inoue</td> </tr> <tr> <td>Vice Chairman</td> <td>Michiharu Takii</td> <td rowspan="3">2021.08.11</td> <td rowspan="3">Taiwan Corporate Governance Association</td> <td rowspan="2">Insider Trading</td> <td rowspan="2">3.0</td> </tr> <tr> <td rowspan="2">Director</td> <td>Kazuo Hiramoto</td> </tr> <tr> <td>Director</td> <td>Keiichi Tanaka</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Corporate Response</td> <td>3.0</td> </tr> </tbody> </table>	Title	Name	Date of Training	Organization	Course	Training Hours	Chairman	Jason Lin	2021.11.24	Securities and Futures Institute	Prospects of the Global Economy in the Post-pandemic Era	3.0	Director	William Wong,	The Latest International Trend in Carbon Tariffs and Countermeasures	3.0	Susan Wang	Director	Akira Inoue	Vice Chairman	Michiharu Takii	2021.08.11	Taiwan Corporate Governance Association	Insider Trading	3.0	Director	Kazuo Hiramoto	Director	Keiichi Tanaka					Corporate Response	3.0	In compliance with Article 40 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Title	Name	Date of Training	Organization	Course	Training Hours																																		
Chairman	Jason Lin	2021.11.24	Securities and Futures Institute	Prospects of the Global Economy in the Post-pandemic Era	3.0																																		
Director	William Wong,			The Latest International Trend in Carbon Tariffs and Countermeasures	3.0																																		
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				Corporate Response	3.0																																		

Evaluation Item	Implementation Status (Note)					Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Summary					
			Independent Director	Norikazu Hatanaka Hidemi Sumiya		to the SDGs - A Case Study on Energy		
			Independent Director	Zhi-Gang Wang	2021.09.17	Independent Director Association Taiwan	Principles of Fair Treatment of Customers in the Financial Services Industry	3.0
							New Challenges for the Financial Services Industry in Money Laundering Prevention	3.0
						2021.02.23	Taiwan Academy of Banking and Finance	Workshop on Operational Practice and Corporate Governance of Boards of Directors and Supervisors
			<p>(7) The situation in which the Company purchased liability insurance for the Directors: The Company has purchased liability insurance for all Directors, and the insured amount is US\$7 million. The above insurance period is since August 1st, 2013.</p> <p>(8) Implementation and policies of risk management: The Company established risk management policies to identify, evaluate, supervise and control risk from every aspect, enhance the sense of awareness of employees and make sure all potential risks that might happen are</p>					In compliance with Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>endurable, thus, can the Company execute the optimal strategy to rationalize the balance between profits and risks, please refer to page 180~188 of the annual report for further disclosure of risk management policies of the Company.</p> <p>(9) Implementation of customer policy: Customers are the cornerstone of the Company's existence. The goal is to quickly supply the requested products and achieve stable and adequate supply so that customers can continue operate.</p> <p>a. Creating a stable supply and demand The Company and its customers have an important relationship of interdependence, coexistence, and co-prosperity. Therefore, building a stable supply and demand relationship is an issue that every sustainable company must pay attention to. Focusing on the long-term development of the industries in Taiwan, the Company actively invests in the production of chemicals, plastic, and fiber raw materials to provide customers with a stable source of materials and lay a solid foundation for related industries. The solid long-term cooperation has allowed the customers to show steady growth.</p> <p>b. Enhancing the competitiveness of midstream and downstream manufacturers In order to improve the management capabilities of the middle and lower suppliers of the plastic industry, the founders set up a series of management courses at the early stage, and actively shared the Company's system and experience with the industry. The Company has received positive feedback while strengthening the</p>	

Evaluation Item	Implementation Status (Note)		Summary	Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>competitiveness of customers. So far, if other companies come visit, we are willing to share. From a management point of view, the Company has always believed that by taking customer interests into account, the Company will also benefit from it. In addition, in order to cooperate with customers to expand the market, the Company also actively supports customers and provides after-sales service.</p> <p>c. E-commerce saves costs and improves efficiency In order to improve the efficiency of the transaction process with the customer, the customer can get instant information and respond quickly when placing orders, order progress inquiries, receipts and payments, the Company officially established the Formosa Plastics E-Commerce Center in January 2001. This B2B online trading portal imports the e-commerce trading system, coordinates the management of internal resources and strengths, and integrates upstream and downstream supply chain systems and customer business relationships.</p>	
<p>9. Please specify the Company's measures to improve the items listed in the corporate governance review result by Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be completed.</p> <p>The Company has ranked among the top 20 percentile of all listed companies that participated in the 8th Corporate Governance Evaluation in 2021. The following are descriptions for items in the Corporate Governance Evaluation in which the Company has either made improvements or the improvement of which will be set as a priority :</p>				

Evaluation Item	Implementation Status (Note)			Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
Category	Evaluation Indicator			Improvement Status
Items Improved	1. Does the Company establish and disclose on the Company website internal rules and implementation that prohibit directors or employees and other insiders from using information that is not available in the market to make a profit?			In addition to the relevant regulations that have been formulated and disclosed, education and training courses on insider trading prevention are also carried out on a regular basis.
	2. Does the company disclose the annual focus and operation of the audit committee?			The annual work focus and operation of the Audit Committee have been disclosed on the company's website and the 2020 annual shareholders' meeting report.
Improvement Set as a Priority	1. Has the average attendance rate of the entire Board of Directors subject to the annual evaluation reached 85% or more?			The Company actively encourages the Directors to attend Board meetings.
	2. Are the Company's interim financial reports approved by the Audit Committee and submitted to the Board of Directors for discussion and resolution?			From 2022, the Company's interim financial report will be approved by the Audit Committee and submitted to the board of directors for discussion and resolution.
	3. Has the Company set up functional committees other than those required by the law, comprising no less than three members each, with more than half the members being Independent Directors, as well as disclosed the composition, duties, and operations of these committees?			In order to facilitate the promotion of ESG, the company has passed the resolution of the board of directors on May 10, 2022 to set up a sustainability committee.

Note: Provide a brief description in the appropriate column regardless whether "yes" or "no" is selected.

4.4 Composition, Responsibilities and Operations of Remuneration Committee

Table 4.4.1 Professional Qualifications and Independence Analysis of Remuneration Committee

Title	Criteria	Professional qualification requirements and experience	Independence (Note)	Number of other public companies Concurrently serving as a member of remuneration committee
	Name			
Independent Director	Zhi-Gang Wang	Since serving as a member of the Remuneration Committee of the Company in December 2011, they are quite familiar with the operation of the Remuneration Committee of the Company and its terms. For the professional qualifications, please refer to 2.1.1 Information of Directors and Supervisors.	Independence situation please refer to 2.1.1 Information of Directors and Supervisors.	1
Independent Director	Norikazu Hatanaka			0
Independent Director	Hidemi Sumiya			0

Table 4.4.2 Remuneration Committee Meeting Status

(1) There were 3 members of FST's Remuneration Committee.

(2) Scope of authority

- a. Periodically review the organizational procedures of the Remuneration Committee and submit proposals for amendments.
- b. Formulate and regularly review policies, systems and standards for performance evaluation and remuneration of directors and officers.
- c. Regularly review and formulate the remuneration of directors and officers.

(3) Term of Remuneration Committee: 2021.07.28-2024.07.27. There were 2 meetings **【A】** of the remuneration committee convened in 2021. The attendance status is shown as follows:

Title	Name	Attend in person (B)	By proxy	Attendance rate in person(%)(B/A)	Remark
Convener	Norikazu Hatanaka	2	0	100	Reappointed on July 28, 2021
Committee Member	Zhi-Gang Wang	2	0	100	Reappointed on July 28, 2021
Committee Member	Hidemi Sumiya	2	0	100	Reappointed on July 28, 2021

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Table 4.4.3 Salary and Remuneration Committee meeting date, resolution content, resolution results and company's handling of the salary and compensation committee's opinion in the past year

Meeting date	Resolution content	Resolution results	Company's handling of the Remuneration Committee's opinion
2021.1.25	Report matters: Year-end bonus standard report of the managers in 2020.	Confirmation	According to the calculation results of the company's " Year-end Bonus and Remuneration Distribution Principle ", the managers are according to the standard.
2021.8.11	Discussion matters: Proposal 1: Compensations for the Company's current Directors. Proposal 2: The Company's proposal of continued adoption of the current existing compensation standards and structures for managers. Proposal 3: The Company's proposal of continued adoption of the current evaluation system for managers. Proposal 4: The Company's proposal to implement salary adjustments for managers at rates no higher than that of the employees' salary adjustments.	All present members approved and submitted to the Board of Directors meeting for resolution.	Submitted to the Board of Directors meeting for resolution and passed by all attending directors with no dissent.

4.5 Social Responsibilities Implementation Status and Deviations from the “ Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
1. Does the Company establish a governance structure to promote sustainable development as well as an exclusively (or concurrently) dedicated unit to implement sustainable development and have management appointed by the Board of Directors to be in charge of sustainable development and to report the implementation status to the Board of Directors?	V		<p>To promote Corporate Sustainability, the Chairman Jason Lin has been appointed as the general convener and the General President Keiichi Tanaka as Vice convener. President Office, safety and health department, accounting department, Mailiao management department and other units form “The Sustainable Development Team” which is dedicated to the implementation of corporate sustainability.</p> <p>The sustainable development team holds regular meetings, as well as reviews and reports all work matters to the company's directors through internal official documents. They report at least once a year to the Board of Directors regarding the company's implementation status of sustainable developments, including sustainable development policies, goals and management policies, risk management, climate change risks and opportunities, and greenhouse gas and energy management, etc. In addition, the Company has established a sustainability committee under the Board of Directors on May 10, 2022 to strengthen the company's implementation of the supervision mechanism for promoting sustainable development.</p>	In compliance with the Article 9 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.
2. Does the Company conduct risk assessment in regards to environmental, social, and governance topics related to	V		The Company's President Office and Administration Department assess the risks to the Company and subsidiary from Japan from environmental, social and governance issues based on the levels of influence to stakeholders, and establish risk policies and concrete	In compliance with the Article 3 paragraph 2 of the Corporate Sustainable Development Best Practice Principles for

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons								
	Yes	No	Summary(Note2)									
company operations in accordance with the materiality principle, and establish relevant risk management policy or strategy?(Note 2)			<p>solutions that enable effective identification, measurement and evaluation, supervision, and control to lower influences from relevant risks:</p> <p>1.Environmental issues:</p> <table border="1"> <thead> <tr> <th>Evaluation Item</th> <th>Risk Management Plan</th> </tr> </thead> <tbody> <tr> <td>Climate Change</td> <td>Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.</td> </tr> <tr> <td>Water Resources Management</td> <td> <ol style="list-style-type: none"> Promote energy and water conservation programs to reduce energy consumption and costs related to water use. Set up an emergency drought response team to stay up to date on water source status at each plant and improve emergency response capabilities. Undertake wastewater and rainwater recycling promotions and technical research to reduce water consumption at the plants. </td> </tr> <tr> <td>Greenhouse Gas Emissions</td> <td> <ol style="list-style-type: none"> Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures. Invest in the development of green products, improve product weatherability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as </td> </tr> </tbody> </table>	Evaluation Item	Risk Management Plan	Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.	Water Resources Management	<ol style="list-style-type: none"> Promote energy and water conservation programs to reduce energy consumption and costs related to water use. Set up an emergency drought response team to stay up to date on water source status at each plant and improve emergency response capabilities. Undertake wastewater and rainwater recycling promotions and technical research to reduce water consumption at the plants. 	Greenhouse Gas Emissions	<ol style="list-style-type: none"> Regularly convene monthly energy conservation and carbon reduction meetings, and organize relevant visits and seminars to enhance and improve the competence of energy conservation and carbon reduction measures. Invest in the development of green products, improve product weatherability and reusability, reduce carbon emissions generated during production processes, and extend product life cycle. Conduct carbon footprint inventories to set short, medium, and long-term carbon emission targets as 	TWSE/GTSM Listed Companies.
Evaluation Item	Risk Management Plan											
Climate Change	Collect and analyze information related to climate change and energy risk; identify and evaluate risks related to climate change in reference to the ISO 14001 risk identification process to reduce the possible impacts from climate change.											
Water Resources Management	<ol style="list-style-type: none"> Promote energy and water conservation programs to reduce energy consumption and costs related to water use. Set up an emergency drought response team to stay up to date on water source status at each plant and improve emergency response capabilities. Undertake wastewater and rainwater recycling promotions and technical research to reduce water consumption at the plants. 											
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Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>well as apply for carbon offsets in response to legal impacts.</p> <p>Energy Management</p> <ol style="list-style-type: none"> 1. Introduce energy-saving and high-performance equipment as well as set up energy-saving goals to continue to reduce the power usage per product unit. 2. Implement energy conservation and improvement measures, including reducing energy consumption during production processes, energy reuse, waste heat reuse, improving equipment efficiency, and energy management. <p>Air Pollutant Management</p> <ol style="list-style-type: none"> 1. Replace thermal oil boilers with natural gas boilers to reduce the emissions of GHG and air pollutants, while the efficiency of the boilers has also increased accordingly. 2. Strengthen the control and improvements over leakages of facility components in each plant and establish an FTIR (Fourier-transform infrared spectroscopy) to monitor the air quality around each plant. 3. Adopt even higher standards in the supervision and management of the plant environments, and install additional air pollution prevention equipment to reduce the discharge of pollutants. <p>Waste Management</p> <ol style="list-style-type: none"> 1. Follow the principles of source management, processing waste reduction and recycling and reuse to minimize waste generation and to maximize resource recovery. 2. Be in line with applicable laws by implementing the qualification review and management of waste treatment vendors to ensure the proper treatment of waste for reducing the impacts on the environment. 3. Uphold the philosophy of circular economy, 	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons										
	Yes	No	Summary(Note2)											
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			<p>exposed to elevated risks, and implement tiered health management and follow-up based on the results.</p> <p>3. Care for employees' dietary and nutritional needs and health, and promote relevant courses and activities to build a healthy work environment.</p> <p>4. Plan comprehensive response and protective measures against diseases to achieve both employee's well-being and uninterrupted operations.</p> <p>Social Engagement and Contributions Uphold the philosophy of "giving back what is taken from the society," to dedicate to contributing to the society and fulfilling social responsibilities and encourage employees to actively participate and promote various community events to strengthen interactions with the local residents.</p> <p>3. Governance issues:</p> <table border="1"> <thead> <tr> <th>Evaluation Item</th> <th>Risk Management Plan</th> </tr> </thead> <tbody> <tr> <td>Strengthen the functions of the Board of Directors</td> <td>Formulate the diversity policy of the Board of Directors, improve the planning of directors' training topics, and provide directors with the latest regulations, ESG, industry and economic development and policies, as well as other information. The liability insurance for directors is purchased to protect their rights and interests, as well as to reduce and disperse the risk of major damage to the company.</td> </tr> <tr> <td>Ethical Business Conduct</td> <td>Various regulations concerning ethical conduct are stipulated and governance and risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.</td> </tr> <tr> <td>Integrity Management</td> <td>Workplace hazard assessments are carried out during the planning stage of each production process. Before the</td> </tr> </tbody> </table>	Evaluation Item	Risk Management Plan	Strengthen the functions of the Board of Directors	Formulate the diversity policy of the Board of Directors, improve the planning of directors' training topics, and provide directors with the latest regulations, ESG, industry and economic development and policies, as well as other information. The liability insurance for directors is purchased to protect their rights and interests, as well as to reduce and disperse the risk of major damage to the company.	Ethical Business Conduct	Various regulations concerning ethical conduct are stipulated and governance and risk control mechanism are instilled. To implement ethical corporate management in practice, the risks of unethical conduct are immediately evaluated and preventive measures are established accordingly.	Integrity Management	Workplace hazard assessments are carried out during the planning stage of each production process. Before the	
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			<p>completion of engineering and construction, process hazard analysis is performed in line with the Company's regulations. Additionally, regular risk assessment is performed in line with applicable laws after production has begun. Digitized risk management systems and performance evaluation systems have also been set up, while process safety management (PSM) is implemented and the management over process safety events (PSE) are reinforced. Audits and coaching are also carried out, while deficiencies found during reviews are treated and monitored for improvement.</p> <p>Legal Compliance Through the establishment of governance organization and the implementation of internal control, the Company maintains rigorous requirements over legal compliance during business activities, and stays informed and responds to changes in policies and laws on a timely basis. Additionally, a dedicated Legal Department has been established, and standardized contract samples have been drawn up. Legal compliance training is also conducted to reduce legal risks.</p>	
<p>3. Environmental issues</p> <p>(1) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p>	V		<p>(1)a.The Company formulated the administrative standards for security and health management, management information systems, office automation systems in accordance with the environmental protection laws and regulations formulated by the Environmental Protection Administration (such as the Air Pollution Control Act, the Water Pollution Control Law, the Waste Disposal Act and the Toxic and Concerned Chemical Substances Control Act, etc.), and strengthened the management of the security zone in the plants area through the improvement of the system. In addition, the Company will</p>	<p>In compliance with Article 13 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
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(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	V		<p>further introduce environmental accounting systems by collecting environmental expenditure information, environmental expenditure benefits, and informing stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to 3.Environmental Management of the 2021 Corporate Sustainability Report.)</p> <p>b.To meet our corporate social responsibility and future requirements for GHG reductions, FPC has set up and maintained a systematic inventory of GHG emissions since 2016 in accordance with ISO 14064-1. Furthermore, the British Standards Institution (BSI) and SGS Taiwan are commissioned to conduct Scope 1 and Scope 2 GHG inventories in order to ensure that the inventory is accurate and can be used as a basis for future improvement in GHG reductions.</p> <p>(2)The company continues to promote energy conservation, emission reduction and circular economy, and integrates energy and resources across factories to improve energy efficiency. In recent years, AI and simulation technologies have been used to carry out industrial safety management and process optimization to improve production efficiency and maximize energy utilization. From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow market trends and meet customer's needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. The Company (For details of the specific practices and products that</p>	In compliance with Article 12 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
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(3) Does the Company assess potential risks and opportunities arising from climate change, and establish relevant risk management policy or strate?	V		<p>are environmentally friendly, please refer to 3.6 Waste Management and the Circular Economy of the 2021 Corporate Sustainability Report)</p> <p>(3)The Company continued to assess potential risks and opportunities arising from climate change in aspects of finance, reputation, global economy, energy cost volatility, and environmental compliance costs, set energy conservation targets and measures, and develop eco-friendly products to keep the business operations stable and competitive. The Company signs up to support the Climate-related Financial Disclosures (TCFD) and disclose information on the Company's governance, strategy, risk management, indicator and targets for climate-related risks and opportunities in accordance to the TCFD. (Please refer to 3.2 Risks and Opportunities Arising from Climate Change of the 2021 Corporate Sustainability Report.)</p>	<p>In compliance with Article 17, paragraph 1 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.</p>
(4) Does the company monitor its greenhouse gas (GHG) emissions, water consumption, and waste volume for the past two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume reduction accordingly?	V		<p>(4)To achieve environmental protection and perpetual business operation in practice, the company has established the following reduction goals for 2021 (based on the actual performances in 2020): reduce unit energy consumption of steam and electricity by 3%, unit water consumption by 2%, and unit waste generation by 1%. In the future, the company will also continue to work toward FPG's various goals in each year.</p> <p>a.The company has established a reasonable environmental management system in reference to international environmental management trends and industry-specific characteristics, including establishing an environmental management system certified by the ISO 14001:2015. The company has also established relevant management systems and also continues to advocate for various water and</p>	<p>In compliance with Article 17, paragraph 2~3 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.</p>

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			<p>energy-saving and carbon-reducing measures, pollution prevention and improvements, environmental protection at offices, resource recycling and reuse, and Green Buildings. Concurrently, to advocate for the development of and to stay on top of environmental sustainability, the company has further established an environmental protection regulations and system and computer processes, and has introduced them via the environmental accounting system in order to understand relevant information such as environmental expenditures.</p> <p>b. In terms of climate change, the company's water and energy-saving functional team is responsible for promoting relevant changes. In addition, to calculate its greenhouse gas (GHG) reduction performance, the company also conducts greenhouse inventories and verification in each year, while also simultaneously asks a third-party independent unit to verify the accuracy of data on the products-related GHG emissions. Currently, the GHG inventories and verification for years 2005 to 2020, and the verification works for 2021 are currently underway.</p> <p>c. To prevent impacts on business activities from climate change, the company has began implementing Business Continuity Management (BCM) activities since 2016. To build and enhance disaster prevention capacity, operational policy analysis, contingency procedures and simulation drills are carried out for environmental impacts ranging from typhoons, floods to droughts to build and enhance disaster prevention capacity. At the beginning of this year, the issue of water shortage was severe. The company has also cooperated with the Yunlin Islands-style Basic Industrial Zone to launch a</p>	

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			<p>corresponding plan, and has prepared relevant water shortage measures.</p> <p>d.The Company regularly commissions BSI (British Standards Association) and SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory. For energy conservation and carbon reduction, the Company will set a specific reduction target each year. (For further details, please refer to 3.Environmental Management of the 2021 Corporate Social Responsibility Report.)</p>	
<p>4. Social issues</p> <p>(1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?</p>	V		<p>(1) In order to guarantee the human right of employees, customers and stakeholders of the Company, the Company complies with relevant employment relations acts such as the Labor Standard Act, UN Universal Declaration of human Rights, and UN Guiding Principles on Business & Human Rights, International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, etc. The Company also complies with the various labor laws and regulations of the Republic of China and the local laws and regulations of each operating branch. The Company also complies relevant labor laws to formulate personnel rules and regulations to protect employees' rights and interests. It also provides stable and excellent treatment, complete education and training, promotion and development system, and a safe and healthy working environment to enhance the professional competence of employees. The Chairman of the Company, Jason Lin, officially signed the human rights policy in May, 2020. For details, please</p>	<p>In compliance with Article 18 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
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(2) Did the company establish and implement reasonable employee benefits (including compensations, holidays, and other benefits), and appropriately reflect its business performance and results on its employee compensations?	V		<p>refer to the official website of the Company. (http://www.fstech.com.tw)</p> <p>(2) a. The Company has clear regulations on employee promotion, assessment, training, rewards, and punishments. The salary for new recruits is based on the qualifications required for the job. Female and male employees of the same position and rank receive equal pay for equal work. Employee performance is reviewed regularly in order for raise and promotion to be given accordingly.</p> <p>b. The Company's fixed holidays are Saturdays, Sundays, national holidays, and other holidays as stipulated by the central competent authority. Annual leaves are also given to employees pursuant to the Labor Standards Act.</p> <p>c. Article 28 of the Articles of Incorporation of the Company states that when allocating the net profits for each fiscal year, the Company shall set aside 0.05% to 0.5% of the balance of pre-tax profit prior to deducting employees compensation as compensation of employees. In addition, the Company provide year-end bonus and formulate the degree of salary increase each year according to operation performance of the Company.</p>	In compliance with Article 21, paragraph 2 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	V		<p>(3)a. The Company produces "i Medical Health Network" and "iHealth Podcast" in the form of video and audio streaming to provide employees with information on health education information. In order to enhance the employees' awareness of safety and hygiene, the "Work Hazard Reminder Card" and</p>	In compliance with Article 20 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

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(4) Has the Company established an effective competency development career training program for employees?	V		<p>"Safety and Hygiene Handbook" are distributed, and employees are reminded of work safety through education and training and safety observation (for various practices related to improving employee and workplace safety, please refer to section 4. Occupational Health and Safety of the company's 2021 Sustainability Report for details.)</p> <p>b.The ISO 45001 Occupational Safety and Health Management System and the Taiwan Occupational Safety and Health Management System (TOSHMS) certifications have been obtained by FST plants.</p> <p>.c.In 2021, 0 number of employee occupational accident cases (excluding traffic occupational accident) occurred in the company, 0 people were injured and 0 people died.</p> <p>(4)a.The company's entry-level personnel have successively received training courses such as pre-employment training, shift training, basic and professional training on the job, and CiNet after arriving on the job. The average number of training hours per person in 2021: 28.6 hours for junior managers and 23 hours for entry-level personnel; while middle-level managers implement training courses such as management training, cross-functional training, new supervisor training, work enthusiasm and group effectiveness training, etc. The annual average training hours per person in 2021: 15.2 hours for first-level supervisors, 10.9 hours for second-level supervisors</p> <p>b.In addition, in response to the rapid development of AI and big</p>	In compliance with Article 21, paragraph 1 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
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(5) Does the company follow relevant laws, regulations and international guidelines in terms of customer health, safety, and privacy, as well as when marketing or labeling its products and services and has the company established relevant consumer protection policies and grievance procedures?	V		<p>data application technology, the Company has dispatched employees to participate in the technical leadership training classes and executive programs at the Taiwan AI Academy every year since 2018. At the same time we continue to invest in various AI improvement projects. (For other specific practices, please refer to section 4.3 Talent Training and Development in the 2021 Sustainability Report)</p> <p>(5) a. Since most of the products produced by the Company are not directly sold to general consumers, there are fewer marketing activities such as media advertisements and campaigns. If there are promotion activities involving regulations, all units will first consult the legal office to avoid violation. To protect customer privacy, the Company has established the "Personal Data Management Procedures" to strictly limit the use and control on any queries into personal data.</p> <p>b. Customer relationship management is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company has clearly defined the customer complaints pipeline as well as return and compensation application procedures so that customers can express relevant appeals through the Response Form. Product complaints are handled by the salesperson filling out the Customer Complaint Handling Form for all returns and exchanges. The process is also monitored by the computer system. Another method for customers to make inquiries or comments is to contact the telephone number or e-mail</p>	In compliance with Article 24 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

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(6)Has the company established supplier management policy and require suppliers to comply with relevant standards on environmental protection, occupational safety and health, or labor and human rights issues?	V		<p>address listed on the official website. Comments and suggestions are prioritized according to the level of importance and timeliness. They are then forwarded to the relevant departments to ensure that the Company meets all customers' needs.</p> <p>(6) During procurement, the Company has always required upstream suppliers to meet RoHS, ISO, and related national industrial safety standards, where all goods must be suitably labeled according to the nature of the products, i.e. warning labels. Suppliers should also adopt appropriate recycling procedures for used containers or delivery vehicles. Products manufactured by the disadvantaged and products with non-radioactive labels are prioritized for procurement. The "Price Inquiries" and "Orders" include requirements for suppliers that they comply with the regulations and fair trade principles. The Company commits itself to ensuring that the partners meet environment protection, industrial safety, and human rights requirements. Non-compliant manufacturers will be rejected and placed under manufacturer evaluation. When purchasing materials, parts or products containing metal components, suppliers are required to investigate whether they meet the "conflict-free metal" to ensure that the purchased raw materials are obtained through legal channels. (For further details, please refer to 2.4. Build up a green supply chain of the 2021 Corporate Social Responsibility Report.)</p>	In compliance with Article 26 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

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5. Does the company refer to guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Has the aforementioned statement received any validation or guarantee from third-party accreditation/attestation organization?	V		The content structure of the Company's 2021 Corporate Social Responsibility Report is based on the Global Resiliency Reporting Association's GRI standards guidelines, written in accordance with the guidelines and framework outlined in the Core Options, and exposes the Company's main sustainability issues, strategies, goals and objectives, as well as measures. Verified by the British Standards Association (BSI), an impartial third-party unit, and is disclosed in accordance with the core options, and is presented in international common indicators.	In compliance with Article 29 of the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.
<p>6. Where the Company has established its own Best Practices on ESG according to the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company:</p> <p>Note: The Company passed the resolution of the "Corporate Social Responsibility Code" as set out in the resolution of the Board of Directors on August 10th, 2015. Although the Company's practice has been slightly revised, the established code and the "the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" comply with the same spirit. For the operation of the Company's Corporate Sustainable Development, please refer to the 2021 Sustainability Report and website description.</p>				
<p>7. Other important and helpful information in understanding ESG operation:</p> <p>The Company is a member of the FPG, and our production process plant is built within the Mailiao plant of FPC. For the planning and design of the entire plant, we adopt process equipment with the best production efficiency and continue to improve the quality of the operating environment. Meanwhile, we are committed to duly execute pollution prevention, clean production, energy-saving and carbon emission reduction, water-saving</p>				

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			<p>and reduction of wastes, and cross-plant water recycling economic activities, and other environmental protection works to stride forward to our goal of ecological industrial plant. Furthermore, the Company responds to the trend of the time in accord with the FPG practices by attaching attention to issues related to global warming and promoting planting and green practices at the plant continually, making contributions to the green environment. In the future, the Company will continue to take into account the concept of environmental protection and economic development and implement various measures such as water conservation, energy conservation and carbon reduction, sustainable use of resources and the friendly environment in order to fulfill social responsibilities.</p> <p>In addition, providing a healthy and safe working environment is the responsibility of the Company to employees and their dependents. Therefore, "Safety First" is an important principle for us to cherish our employees. Except for receiving the ISO45001 management system and TOSHMS management system certifications, the Company had established its reward system, and employees and contractors are encouraged to raise issues with unsatisfactory behaviors and false alarms. Departments with zero occupational disasters are also rewarded, encouraging all units to report potential hazards and report abnormalities and unsafe behaviors. The monthly review eliminates potential hazards and conducts inter-departmental competitions and performance reviews to increase employee engagement.</p> <p>In January 2008, FPG and the Central Region Inspection Office, Council of Labor Affairs, Executive Yuan (currently known as Central Occupational Safety and Health Center, Occupational Safety and Health Administration, MOL) executed the "Declaration of Safe Partner" at the Mailiao plant of FPC to continue promoting the occupational safety and health management system, risk management, process safety analysis, on-site occupational safety management, critical hazard control, contracting management training, internal and external audits, occupational safety management educational training and cooperations for all levels of employees, and other key tasks for facilitating occupational safety with "respect life and human-oriented" as its core value, so as to effectively protect the safety and health of labors, contractors, and the public. During the period, the Company successfully received the safety performance certification (for approval of 10 years) from the Council of Labor Affairs, Executive Yuan (currently known as Occupational Safety and Health Administration, MOL) in July 2010 and passed the occupational safety and health system performance audit in January 2021 due to the supports and efforts of all our employees. In 2018 and 2019, the Company recorded fine results for the promotion of safety and health and received the Award of Entities with Outstanding Performance in Occupational Safety and Health from the Yunlin County Government for the years. Another result of our efforts relates to our active promotion of health improvement activities. The Company received the "Active Promotion Award" on December 3, 2013, and the "Health Model Award" in 2016 from the National Awards for Outstanding Performance in Healthy Workplace organized by the Health Promotion Administration.</p>	

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<p>(Explanation 1) Relevant systems and structures</p> <p>The company established the "ESG Promotion Organization" in 2021. The business content includes three aspects: environmental protection (E), social responsibility (S), and corporate governance (G). Among them, the environmental protection (E) aspect is subdivided into 8 important topics: 1. Climate-related financial disclosure 2. Circular economy - energy (resource) efficiency improvement 3. Circular economy - plastic recycling 4. Integration of international carbon reduction initiatives 5. Safety and green procurement (including transportation and packaging) 6. Degradable plastic 7. Renewable energy and green energy 8. Green product research and development and promotion of the green industry.</p> <p>The Chairman-Jason Lin serves as the general convener to be responsible for strategy formulation, goal planning, performance monitoring and management policy about the Company's ESG. President Office, safety and health department, accounting department, Mailiao management department and other units form "The ESG Unit to be responsible for corporate governance, work safety and environmental sustainability, water and energy saving, product and customer service, supplier and contractor management, happy workplace, good neighbors and other related work. The Company convenes each business unit every quarter to review the implementation of various ESG businesses.</p> <p>(Explanation 2) Social welfare engagement of the enterprise</p> <p>7.1 The system, measures, and performance of environmental protection, safety, and health:</p> <p>Since its establishment, the Company has always adhered to the philosophy of "industrial development and environmental protection," and pursues social responsibility and sustainable business. Therefore, it attaches great importance to the work of environmental protection. Following this concept, the Company adopts the latest international technology for production processes and environmental protection equipment. For example, when building a power plant more than a decade ago, the Company was the first in the country to insist on the use of closed coal bunkers. Coal dust no longer polluted the air, and BACT is used to make pollution emissions far below domestic and international standards. Although the construction cost increased, the intangible environmental improvement and the reduction of resource waste and cost reduction can be obtained. In addition to selecting the best production processes and environmental protection equipment at the beginning of the planning period, the Company also took into consideration of the integration of upstream, middle, and downstream processes, and recycles the by-products and wastes of the upstream process as raw materials and fuels for the middle and downstream processes by fully integrating and reusing waste gas, waste heat and low-level energy between the plants, make the best use of resources and energy, reduce energy and waste resources, we pursue the goal of achieving an eco-industrial park. For example, the power and steam consumption per unit of product in 2021 years has decreased by 17% and 18% respectively since the trial operation began in 2007. Future reduction targets will continue to be promoted.</p>				

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			<p>The spirit of the Company is to always find out the root cause of any problem, continue to improve, consists in stopping in perfect goodness. Through continuous improvement, the Company will continue to improve the efficiency of equipment operation to reduce energy and resource use, and strengthen the competitiveness of sustainable operation.</p> <p>Taking water conservation as an example, from 1999 years to 2021, the sixth naphtha cracker has invested 9.36 billion dollars to complete 2,565 improvement cases, saving 297,500 tons of water per day. The 276 ongoing cases will receive 1.46 billion dollars of investment to achieve the target of saving 13,000 tons of water per day. The total investment is 10.82 billion dollars. After the completion, the annual benefit will be approximately 1.36 billion dollars. In terms of energy conservation and carbon reduction, the sixth naphtha cracker has also invested 25.03 billion dollars 9,266 improvement cases have been completed, reducing about 12.164 million tons of CO₂. 1,372 ongoing cases will invest 1.03 billion dollars. It is estimated that an additional 1.693 million tons of CO₂ will be reduced, with a total investment of 26.09 billion dollars. The end benefits will be about 38.9 billion dollars per year.</p> <p>The above-mentioned results can be affirmed by the Company awards from 48 business units and commendations from the competent authorities of the Ministry of Economic Affairs, the Water Resources Department, the Industrial Bureau, the Energy Bureau, and the Environmental Protection Agency during the 10 last years between 2011 to 2021.</p> <p>In addition to adopting the best international production process, doing environmental protection work such as pollution prevention, clean production, energy conservation, carbon reduction, and water conservation to reach the goal of becoming ecological industrial parks, the Company also follows the trend of the times and pays attention to global warming. In recent years, the Company has promoted tree planting in the factory area. The Company have actively promoted the greening of various factories. At present, the Company have planted nearly 2 million trees and 390,000 square meters of shrubs, which can absorb about 15,000 tons of CO₂ per year. Providing a green aerobic environment for employees and nearby residents, and taking into account the best of both industrial development and environmental protection. Traditional factories give the impression that there are few green spaces and trees, and even chimneys emit black smoke from time to time, causing air pollution. The direction of the Company's various factories is to change the minds of people to create a green landscape just like the park, and to turn air pollution into a natural landscape.</p> <p>At the same time, the Company also responded to the government's afforestation and carbon reduction plan and cooperated with the Yunlin County Government to promote flatland afforestation and carbon reduction activities. In 2011, the Company started to receive a 10-year afforestation and carbon reduction subsidy. The Company has received the flatland afforestation award in Yunlin County, with</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>an application area of 1,094 hectares, and about 1.422 billion in subsidies have been provided to the afforestation applicants, contributing to the afforestation and carbon reduction. However, the Council of Agriculture considers that the conversion of fertile land into forest land may lead to food shortages, and it is easy to attract snakes, rats and birds, which will affect the harvest of adjacent farmlands. According to government policy, the Company will no longer provide reciprocal subsidies.</p> <p>The Company also fully cooperates with the Environmental Protection Agency to promote green procurement of private enterprises to implement the energy-saving and carbon-reduction green consumption policy. The statistical green procurement amount of the Company in 2021 is 698 million dollars.</p> <p>In the future, the Company will continue to take into account the concept of environmental protection and economic development, and implement various measures such as water conservation, energy conservation and carbon reduction, sustainable use of resources and friendly environment in order to fulfill social responsibilities.</p> <p>In addition, providing a healthy and safe working environment is the responsibility of the Company to employees and their dependents. Therefore, "Safety First" is an important principle for us to cherish our employees. In addition to establishing a reward system, employees and contractors are encouraged to raise issues with unsatisfactory behaviors and false alarms. Departments with zero occupational disasters are also rewarded, encouraging all units to report potential hazards, and report abnormalities, and unsafe behaviors. Quarterly reviews are conducted to eliminate potential hazards, and an annual safety culture performance commendation conference is held to improve employees' participation and sense of honor through cross-company competitions and performance appraisals across the enterprise.</p> <p>7.2 Community participation: the Company is deeply rooted in Taiwan. Factories are distributed all over Taiwan. We strive to become a "good neighbor" with the surrounding residents by setting up a dedicated group in each factory to communicate with residents and provide all kinds of assistance. In addition, we continue to mobilize our staff to clean up neighborhood streets and beaches, continually invest in local public welfare activities, and assist in caring for families and disadvantaged groups, so that our employees and community residents can be integrated. Employees have also spontaneously formed a charity group, responding to the feedback to the neighborhood, and by long-term and continuous attention, gradually expand human care and love to every corner of the society to jointly establish a peaceful society.</p> <p>7.3 Social contribution, social services, social welfare, and other social responsibility activities:</p> <p>Based on the spirit of " Take from society, give back to society ", the Company is committed to the sustainable operation and continues to give back to the society and fulfill its social responsibilities with the management policy of "quality, reputation, service, and environmental</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
<p>protection." Our results in social responsibility are also recorded in the "Sustainability Report."</p> <p>In addition to dedicating to business operations, we also invest in medical care, education, and various social welfare undertakings to fulfill Corporate Social Responsibility:</p> <p>(1) Medical treatment: Chang Gung Memorial Hospital was established in 1976. It is committed to "improving medical standards and creating social well-being" and has the courage to challenge the status quo. It not only drives the reform and progress of the medical community but also won the trust of the general public. Now, in Taiwan, there are four major sectors, the North Sector (including Keelung, Lover Lake, Taipei, Linkou, Taoyuan, and other nursing homes), Chiayi Sector, Yunlin Sector, and Kaohsiung Sector (Kaohsiung and Fengshan Hospital). In services, it is also the largest and most complete medical institution in Asia, from emergency medical treatment to rehabilitation, health care, and senior care. Chang Gung Memorial Hospital also donated 1,090 sets of artificial electronic ears for the benefit of hearing-impaired children, and set up a social service fund to subsidize poor patients for long-term treatment. As of the end of 2021, it has spent 9.95 billion dollars and continues to provide the medical assistance needed in remote and undeveloped countries.</p> <p>(2) Education: In the 1960s, various industries in Taiwan flourished. In view of the shortage of industrial talents, the Company founded Mingzhi Institute of Technology (now Mingzhi University of Science and Technology) to provide the students from poor families a chance to study and work at the same time. Later, Chang Gung Medical College (now Chang Gung University) and Chang Gung College (now Chang Gung University of Science and Technology) were established to cultivate students' diligence and simplicity by combining theory and practice, and to cultivate excellent industrial middle cadres and medical staff. Since the beginning of the 1995, the Company started funding for Aboriginal youth education and employment opportunities. The total donation amount is approximately 1.7 billion dollars, and the number of assisted people reached 5,500.</p> <p>(3) Disaster relief: assisting in the 921 earthquake (1999), Morakot wind disaster (2009), Kaohsiung gas explosion incident (2014), Tainan earthquake (2016), Nibble wind disaster (2016) , Hualien earthquake (2018) and other disaster relief in reconstruction and the rehabilitation of schools in the disaster areas. So far, 76 primary and secondary schools have been fully sponsored by the Company .</p> <p>(4) Other social welfare: In addition to medical and education, the founders of Formosa Plastics have set up seven foundations and charitable social welfare funds. Through the operation of the foundations and the active participation of companies within the corporation, they continue to promote and donate to various social welfare undertakings, such as:</p> <p>A. Since 2007, the Company has cooperated with the government to promote the national free vaccination program for the elderly over 75 years</p>				

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>old to improve their health and quality of life. Up until 2010 when the government budgeted and promoted on its own, a total of nearly 1.16 million doses of the Pneumococcal Conjugate Vaccines were donated.</p> <p>B. Continue to promote the "Professional Service of Early Treatment Effectiveness Improvement Program". Assist developmentally retarded children to receive high-quality treatment as soon as possible in order form them to return to the general education system and integrate with society, thereby reducing the burden of family and social care. This project is based on empirical research and guided by the fusion of concepts, family-centered and community-based promotion principles, with the main focus to improve the quality of institutions, personnel capabilities, and parental awareness. From 2006 to 2021, NT\$ 880 million were invested, 23 thousand people and 92 units were benefited.</p> <p>C. Support the inmates: donated to the Yunlin Second Prison, Kaohsiung Prison, and Taipei Prison to handle the Wang Jhan-Yang Foundation Rainbow Project (drug-addicted HIV inmates), with three courses of physiological education, psychological counseling, and vocational training the project assists drug-addicted prisoners with HIV to cultivate life skills, repair family relationships and reintegrate into society. Cooperation with Yunlin Second Prison and Kaohsiung Prison to handle the Wang Jhan-Yang charitable trust fund Xiangyang project (drug inmates) to assist inmates in returning to the society is also conducted. Collaboration with the Correctional Affairs Department of the Ministry of Justice in 2017 to expand the Xiangyang Project in three prisons including Hualien Prison, Tainan Prison, and Kaohsiung Women's Prison.</p> <p>D. Promote various scholarships and work-study programs: such as the Children's Education Assistance Program, Assistance to Teenagers/Young Adults who Recently Graduated from Children's Homes, Disadvantaged Student Scholarship, and the Student Financial Aid Program in Remote Areas, to help the economically disadvantaged or disabled children and young students to be able to receive education unhindered. The Excellent Talents Development Program provides long-term scholarships for outstanding students from disadvantaged backgrounds to assist them in academic and moral development. In addition, we will promote semester and summer work-study programs, match students to work in social welfare institutions, cultivate the service spirit of students contributing to society, and reduce institutional operating costs and expenditures to serve more vulnerable people.</p> <p>E. Women and Children's Welfare: a. Promote the nutritional breakfast subsidy for the vulnerable children in the neighboring 7 Township for Mailiao Factory, b. Promote the economic assistance program for victims of domestic abuse, c. Promote the medical treatment and economic assistance of patients with rare diseases, d. Donation to Taitung and Hualien English Assistance Program, an introduction of outstanding American college students to primary schools in remote areas for English teaching, e. Promote the nutritional breakfast subsidy for the vulnerable Junior High School students of Pingtung County, f. Donation the nutritional lunch subsidy for all public elementary and junior high</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			<p>school students of Yunlin County, g. Donation Scholarship for Orphan, h. Donation living expenses for Preschool children from disadvantaged families. i. Donation the HPV 9-valent vaccine for the girls in the first year of junior high school of Yunlin County , j. Donation the ‘Childminder Management and Subsidy Programme’ of Yunlin County, k. Set up a used toy recycling center.</p> <p>F. Elderly welfare: a. promote the elderly housing improvement and appliance donation plan, b. Mailiao and Taixi Township meal delivery plan for elderly living alone, c. promote the ‘Active Aging Center’ corporately in Taiwan. Members in this center would participate in five major classes (of the elderly) through package-based individual planning courses, including health management, brain training, vitality, physical training and social participation, to maintain their health, preventing disability, and effectiveness of helping healthy elderly people improve, d. Donate to the elderly daycare center shuttle bus and dream plan, e. Elderly welfare institution lighting improvements plan. f. Donation daycare and health promotion for elder in Remote Areas, g. Donation the ‘Evergreen Canteen’ of Yunlin County.</p> <p>G. Vulnerable group support: a. Donation to social welfare institutions daily necessities and rice, b. The low-income households near Mailiao factory receive gifts and bonus for the three most important Chinese holidays c. Emergency Allowances plan, d. Donation of daily necessities to the Christian Relief Association food bank. e. Promoting Homeless Assistance Program, including the establishment of supportive housing and the subsidy of kitchen facilities, to support the homeless to live as independently as possible within their community., f. Promote 「The design and implementation of intelligent support system in long term care」 and 「Love Health Volunteer Promotion Program」. g. Promote lighting improvement projects, donate lighting equipment to improve the lighting equipment in social welfare institutions in order to provide good care of the environment and save electricity bills. h. In response to the COVID-19 pandemic, rapid screening test kits and personal protective materials were donated to hospitals, social welfare organizations, and the Department of Public Health in New Taipei City and Taoyuan City. We also donated vitamin B supplement to the medical staff.</p> <p>H.Promote the development of Taiwan's distinctive culture: sponsoring the "Ming Hwa Yuan Art & Cultural Group", "I Wan Jan Puppet Theater", "If kids Theatre", "Apple Theatre" to go on tours in the countryside.</p> <p>I. Promote the Wang Jhan-Yang charitable trust fund " Burning Star Project" to cultivate outstanding sports talents, "Future Star Project " sports talents abroad training programs and sports player medical protection programs to help domestic sports talents improve their performance. Wang Chang Gung charitable trust has implemented the”Caretaker for Athletes Program” since 2019.</p> <p>J. Institutional support: a. Donation of social welfare institutions to purchase facilities and equipment and construction and repair (17 social welfare institutions), b. Donate funds for vulnerable groups to help plan(Kaohsiung City Government, Taoyuan City Government, Keelung City</p>	

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
Government, ChiaYi County Government) ,c. donation of mooncakes to social welfare institutions.				

Note 1: If Implementation Status is specified "Yes", please explain the key policies, strategies and measures taken and the current progress. If Implementation Status is specified "No", please refer to "The discrepancies in the Code of Practice of Sustainable Development for the TWSE/TPEX Listed Companies" section to explain the situation and reasons for the discrepancies, as well as explain any policy, strategy and measure planned for the future.

Note 2: Materiality principle refers to any environmental, social, or governance issues that pose material influences to investors and other stakeholders of the company.

4.6 Fulfillment of Code of Ethics and Business Conduct and measures adopted :

Fulfillment of Code of Ethics and Business Conduct and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” and Reasons :

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management				
(1) Has the Company established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors, and clearly stipulated regulations and policies for ethical business conduct and relevant guidelines in company articles and external documents? Does the Company’s Directors and management team actively fulfill their commitment to corporate policies?	V		(1) The Company complies with the Company Act, the securities trading law, and other related regulations, and upholding the “Diligence, Perseverance, Frugality and Trustworthiness” enterprise spirit in order to comply with the law and ethical standards. With the business philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors. With the Company's President Office as the driving unit to formulate and implement various ethical policies, the Company establishes a good corporate governance and risk control mechanism, to seek sustainable development of the Company. The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.	In compliance with Article 4 and Article 5 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
(2) Has the company established a risk assessment mechanism	V		(2) a. The Company has established strict rules of conduct and ethics in the rules and regulations such as the “Personnel Management Rules” and	Complying with the regulations specified in

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>against unethical conduct, regularly analyzed business activities within their business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Company?</p>			<p>“Working Rules”, and has specified the relevant reward and punishment regulations. Directors, managers, servants of the Company, or those who have substantial control capabilities are prohibited from providing, pledge, requesting or accepting any illegitimate interests directly or indirectly, or making other violations of good faith, illegality, or breach of fiduciary duty to prevent malpractice, misappropriation of public funds, acceptance of bribes, disclosure or lies, and other acts of dishonesty.</p> <p>b.The Company analyzes and assess periodically business activities within their business scope which are at a higher risk of being involved in unethical conduct. For those who engage in business activities with a high risk of dishonest behavior, the company has clearly established “Personnel Management Rules” and “Working Rules” which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be excused from office and their Supervisors shall be jointly and severally punished. Besides, related duties have comprehensively promoted regular rotation operations to prevent the occurrence of any corruption.</p>	<p>Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," the Company has specified and enacted regulations designed to prevent unethical conduct in multiple rules and systems. Nevertheless, specific "Procedures for Ethical Management and Guidelines for Conduct" has yet to be formulated.</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems within the said plan? Did the action plans be implemented accordingly?	V		(3) The Company has clearly stipulated regulations and policies for ethical business conduct and relevant guidelines, code of conduct, whistleblowing, punitive measures for violations, and grievances in company articles and systems, including the "Personnel Management Rules," "Code of Ethics and Business Conduct," "Guidelines for Prevention of Insider Trading," "Whistleblowing Procedures," and "Guidelines to Employee Grievances.". The Company has established "Ethical Code of Conduct" for the Directors and Managers of the Company to adhere to. The adequacy and effectiveness of regulations and policies for ethical business conduct were reviewed on a regular basis .	In compliance with Article 6, paragraph 1 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	V		(1) The contract signed by the Company for commercial activities is subject to the terms of good faith. In addition, the Company conduct inquiries such as honesty investigations for customers, suppliers, and other stakeholders to avoid the occurrence of dishonest behavior and damage of the Company's rights and interests.	In compliance with Article 9 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."
(2) Has the Company designated	V		(2) The President Office of the Company and the general management	In compliance with Article

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>an exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?</p>			<p>office of the whole enterprise are in charge of promoting ethical business. They promote regulations and policies for ethical business conduct .In addition, they handles and verifies whistleblowing cases based on the Company's Whistleblowing Procedure. The department in charge of promoting ethical business reports its ethical business management policy, and action plans to prevent unethical conduct to the Board of Directors at least once per year. The most recent report dated is on December 21, 2021.They mainly report the ethical corporate management policies, measures, implementation status of supervisory measures and commitments of the board of directors and management to implement business policies actively. Additionally the internal audit report is submitted to the Independent Director monthly.</p>	<p>17 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>
<p>(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p>	V		<p>(3) 1. The Company’s standards for the Board of Directors meetings has clearly states that if Directors or the juridical persons they represented have a personal interest, they shall state the key aspects of the interest in the meeting. If their interest may prejudice the interests of the Company, the persons concerned shall not participate in the discussion and voting of those items and shall recuse themselves from those sessions. Also, they shall not stand proxy for other Directors to exercise the voting right on those items.</p>	<p>In compliance with Article 19 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Did internal auditors establish relevant audit plan to verify the status of compliance with unethical conduct prevention action plans based on the result of risk assessment on unethical conduct? Did the Company entrust audits to a CPA ?	V		<p>2. The Company has stated in its "Personnel Management Rules" that employees should strictly abide by the code of conduct for avoidance of interests and proactively report ethical concerns such as conflicts of interest, and have provisions prohibiting competition to prevent conflicts of interest.</p> <p>3. The Company has provisions for "operational key-points for employee complaints" and " Reporting Procedure ", etc., and provides specific reporting channels for reporting any illegal or improper behavior.</p> <p>(4) The Company has established an effective and improved accounting system and internal control mechanism, and fully implemented computerization of operations. The six management functions of personnel, finance, business, production, materials, and engineering are connected by computers, layer by layer, and executed for management of any abnormalities. In addition, the Company also established a professional and independent internal audit structure. The structure is divided into three levels. The first level is carried out by the Auditing Office attached to the Company's Board of Directors, and the second level is routine and project-based independent auditing carried out by the general management office for routines and projects. Moreover, since internal auditing is the duty of all employees, the third level of auditing requires all departments to</p>	In compliance with Article 20 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
(5) Does the Company regularly organize internal and external training for ethical corporate management?	V		<p>conduct voluntary operation inspections (on a monthly, quarterly, semi-annual, or annual basis) to extend the concept internal control to all levels of the Company.</p> <p>(5) Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of “Diligence, Perseverance, Frugality and Trustworthiness,” as well as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and anti-corruption are held every year to strengthen the employees' commitment to complying with management rules based on good faith. The Company held internal and external education training related to the issue of integrity management with a total of 1,410 person involved in, and 99.8% of all employees.</p>	In compliance with Article 22-2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”
<p>3. Status for enforcing whistle-blowing systems in the Company</p> <p>(1) Has the Company established concrete whistle-blowing and reward systems as well as accessible whistle-blowing</p>	V		<p>The Company has a "Employee Grievance Procedure" and "Internal and External Reporting Procedure of Unlawful and Unethical Behaviors" to provide a specific reporting and reward system:</p> <p>(1) Providing multiple reporting channels such as actual mailboxes,</p>	In compliance with Article 23 of the “Ethical Corporate Management Best Practice Principles for

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	Summary	
<p>channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?</p> <p>(2) Has the Company established standard operating procedures (SOP) for whistleblowing cases, follow-up measures and relevant systems of confidentiality after the investigation ?</p> <p>(3) Has the Company adopted protection measures against inappropriate disciplinary actions for the whistle-blower?</p>	V		<p>e-mail boxes, and fax lines. Visible notices are placed around the main entrances to be used by informants.</p> <p>(2) After a case is filed, the relevant team members of the general management office of the whole interprise shall be responsible for the procedures of case review, filing, and follow-up investigation.</p> <p>(3) The principle of confidentiality: During and after an investigation, it is strictly forbidden to disclose any information to unrelated parties. Supervisors at all levels must also keep information confidential. All relevant information must be processed and archived according to the confidential document procedures to ensure the informant does not experience any unjust setback.</p> <p>(4) Where the occurrence of illegal or improper act has been found to be true, punitive actions will be taken based on the "Personnel Management Rules". Judicial or prosecuting institutions will be alerted when necessary.</p>	TWSE/GTSM Listed Companies.”
<p>4. Improvement of information disclosure</p> <p>Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</p>	V		<p>Information on integrity management and ethical behavior has been disclosed on both Chinese and English website of the Company.</p>	<p>In compliance with Article 25 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed</p>

Evaluation Item	Implementation Status (Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons Companies.”
	Yes	No	Summary	
<p>5. If the Company has established the Code of Ethics and Business Conduct based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any deviations between the the Code of Ethics and Business Conduct and their implementations : On November 5th, 2014, the Company passed the resolution of the “Corporate Integrity Code of Practice”. The code was slightly revised according to the Company's practice, but in line with spirit of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>				
<p>6. Other information helpful for understanding the principle of integrity of the Company's operations (e.g., the Company's amendment of its principles of integrity): The Company schedules corporate governance courses for Directors and managers and emphasizes the importance of governance to strengthen the effectiveness of governance and put ethical management into practice.</p>				

Note : Provide a brief description in the appropriate column, regardless whether "yes" or "no" is selected.

4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at <http://www.fstech.com.tw> and the MOPS website at <http://mops.twse.com.tw>.

4.8 Other Important Information Regarding Corporate Governance

Please refer to website (<http://www.fstech.com.tw>, click " Investor Relations ")

4.9 Implementation Status of the Internal Control System

(1) Internal Control System Statement

Formosa Sumco Technology Corp. **Internal Control System Statement**

Date: 2022.3.4

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

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communications 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on 2021.12.31 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the a chievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on 2022.3.4, where 0 of the 10 attending directors expressed dissenting opinions , and the remainder all affirmed the content of this Statement.

Formosa Sumco Technology Corp.

Chairman: Jason Lin

President: Keiichi Tanaka

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

4.10 Reprimands on the Company and its Employees in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None

4.11 Major Resolutions of Shareholders' Meetings and Board Meetings:

4.11.1 **Shareholders' Meeting on July 28, 2021**

Attending Directors: Directors Jason Lin, Keiichi Tanaka, and Mitsuru Ikenoue, and Independent Directors Chih-Kang Wan and Norikazu Hatanaka.

(1) Major Resolutions

Proposal:

For the approval of the 2020 Business Report and Financial Statements as required by the Company Act.

Proposed by the Board of Directors

Resolution:

Total voting rights represented by the attending shareholders are 361,195,556 votes for this proposal. Voting results show the adoption of 353,375,322 votes (of which votes through electronic means account for 353,375,322), representing 99.40% of the total voting rights. Dissent voting rights are 12,949 votes (of which votes through electronic means account for 12,949 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 7,807,285 votes (of which votes through electronic means account for 7,807,285 votes). The rights of adoption have exceeded the required number. The proposal has been adopted.

Proposal:

For Approval of the Proposal for Distribution of 2020 Profits as required by the Company Act.

Proposed by the Board of Directors

Resolution:

Total voting rights represented by the attending shareholders are 361,195,556 votes for this proposal. Voting results show the adoption of 353,372,753 votes (of which votes through electronic means account for 353,372,753), representing 97.83% of the total

voting rights. Dissent voting rights are 16,649 votes (of which votes through electronic means account for 16,649 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 7,806,154 votes (of which votes through electronic means account for 7,806,154 votes). The rights of adoption have exceeded the required number. The proposal has been adopted.

Proposal:

Amendment to the Company's "Regulations for the Election of Directors" submitted for approval.

Proposed by the Board of Directors

Resolution:

Total voting rights represented by the attending shareholders are 361,195,556 votes for this proposal. Voting results show the adoption of 352,217,880 votes (of which votes through electronic means account for 352,217,880), representing 97.51% of the total voting rights. Dissent voting rights are 14,522 votes (of which votes through electronic means account for 14,522 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 8,963,154 votes (of which votes through electronic means account for 8,963,154 votes). The rights of adoption have exceeded the required number. The proposal has been adopted.

Proposal:

Amendment to the Company's "Rules of Procedure for Shareholders' Meeting" submitted for approval.

Proposed by the Board of Directors

Resolution:

Total voting rights represented by the attending shareholders are 361,195,556 votes for this proposal. Voting results show the adoption of 352,219,450 votes (of which votes through electronic means account for 352,219,450), representing 97.51% of the total voting rights. Dissent voting rights are 12,952 votes (of which votes through electronic means account for 12,952 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 8,963,154 votes (of which votes through electronic means account for 8,963,154 votes). The rights of adoption have

exceeded the required number. The proposal has been adopted.

Proposal:

To release the Company's newly elected Directors and representatives of the Company's institutional Directors from participating in competitive businesses.

Proposed by the Board of Directors

Resolution:

Total voting rights represented by the attending shareholders are 361,195,556 votes for this proposal. Voting results show the adoption of 346,396,986 votes (of which votes through electronic means account for 346,396,986), representing 95.90% of the total voting rights. Dissent voting rights are 5,820,970 votes (of which votes through electronic means account for 5,820,970 votes), and invalid voting rights are 0 votes. Forfeit and rights not exercised are 8,977,600 votes (of which votes through electronic means account for 8,977,600 votes). The rights of adoption have exceeded the required number. The proposal has been adopted.

(2) Implementation of Material Resolutions

1. Distribution of cash dividend of NT\$2.15 per share was approved by the 2021 Shareholders' Meeting. Determined at the Board of Directors' meeting on July 7, 2021, the base date for dividend distribution was August 4, 2021, and the distribution date of cash dividend was August 26, 2021.
2. After the amendments to the "Regulations for the Election of Directors" at the 2021 Shareholders' Meeting, executions were made in accordance with the resolution from the Shareholders' Meeting and announced on the Company's website.
3. After the amendments to the "Rules of Procedure for Shareholders' Meeting" at the 2021 Shareholders' Meeting, executions were made in accordance with the resolution from the Shareholders' Meeting and announced on the Company's website.

4.11.2 Board of Directors Meeting on March 23, 2021

Proposal:

For approval of the Proposal of the 2020 Employee Bonus.

Resolution:

Approved by all attending Directors with no dissent, and submitted to the 2021 General Shareholders' Meeting.

Proposal:

For approval of the 2020 Financial Statements, and to establish the 2021 Business Plan.

(President Tanaka and Assistant Manager Shun-Ho Wu reported on the 2020 performance results and 2021 business plan.)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For approval of the Statement of Surplus Allocation in 2020.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the calling of the 2021 General Shareholders' Meeting on June 15, 2021.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of re-election of all Directors at the 2021 General Shareholders' Meeting.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's list of Director candidates (including Independent Directors).

Resolution:

Approved by all attending Directors with no dissent, and included in the Director (including Independent Director) candidate list for the 2021 General Shareholders' Meeting.

Proposal:

For the approval of the release of the Directors from participating in competitive businesses by the General Shareholders' Meeting.

(Proposed by the Audit Committee)

(As the Vice Chairman, attending Directors William Wong, Susan Wang, and Kazuo Hiramoto are the principals in this proposal, recusal shall be required.)

Resolution:

Approved by all attending Directors, except for the above Directors who recused themselves due to the conflict of interests.

Proposal:

For the approval of the Company's loaning of funds to Formosa Plastics Corp.

(Proposed by the Audit Committee)

(As the Chairman and attending Directors William Wong and Susan Wang serve as the Chairman, Managing Director or corporate representative of the party receiving the loan respectively, recusal is required and the Chairman shall designate the Vice Chairman to temporarily serve as the Chair of the meeting.)

Resolution:

Approved by all attending Directors, except for the above Directors who recused themselves due to the conflict of interests.

Proposal:

For the approval of promoting the position of the Company's business executive.

(As the presenting executive Shun-Ho Wu is the principal in this proposal, recusal shall be required.)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the appointment of a new Chief Governance Officer.

(As the presenting executive Shun-Ho Wu is the principal in this proposal, recusal shall be required.)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the appointment of a new Internal Audit Manager.

(As the presenting executive Bo-Wei Huang is the principal in this proposal, recusal shall be required.)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's draft of the "Declaration of Internal Control System."

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of amendments to the Company's "Regulations for the Election of Directors."

Resolution:

Approved by all attending directors with no dissent.

Proposal:

Amendment to the Company's "Rules of Procedure for Shareholders' Meeting" submitted for approval.

Resolution:

Approved by all attending Directors with no dissent, and submitted to the 2021 General Shareholders' Meeting.

4.11.3 Board of Directors Meeting on May 12, 2021

Proposal:

For the approval of the Company's loaning of funds to "Japan Formosa Sumco Technology Corporation".

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's amendment of regulations pertaining to share transfer procedures.

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

4.11.4 Board of Directors Meeting on July 7, 2021

Proposal:

For the approval of the postponement of the 2021 General Shareholders' Meeting.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the base date and distribution date of the Company's 2020 cash dividend distribution.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the appointment of a new Vice President.
(As the presenting executive Satoshi Inoue is the principal in this proposal, recusal shall be required.)

Resolution:

Approved by all attending directors with no dissent.

4.11.5 Board of Directors Meeting on July 28, 2021

Proposal:

For the election of a Chairman and Vice Chairman of the Company.

Resolution:

Upon unanimous vote from attending directors, Jason Lin has been voted as the Chairman and Michiharu Takii as the Vice Chairman.

Proposal:

For the approval of the appointment of Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya to serve as members of the Company's Remuneration Committee.

(Recusal of Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya shall be required as they are principals of the proposal.)

Resolution:

Besides recusal from Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya due to the prevention of conflict of interests, the proposal has been passed by all attending directors.

4.11.6 Board of Directors Meeting on August 11, 2021

Proposal:

To propose compensations for the Company's current Directors.

(Proposed by the Remuneration Committee)

(Recusal of Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya shall be required as they are principals of the proposal.)

Resolution:

Besides recusal from the aforementioned Independent Directors due to the prevention of conflict of interests, the proposal has been passed by all attending directors.

Proposal:

For the approval of the Company's proposal of continued adoption of the current existing compensation standards and structures for managers (detailed as follows).

(Proposed by the Remuneration Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's proposal of continued adoption of the current evaluation system for managers (detailed as follows).

(Proposed by the Remuneration Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's proposal to implement salary adjustments for managers at rates no higher than that of the employees' salary adjustments.

(Proposed by the Remuneration Committee)

Resolution:

Approved by all attending directors with no dissent.

4.11.7 Board of Directors Meeting on November 10, 2021

Proposal:

For the approval of replacement of the Company's CPA.

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the signing of the "Land Lease Contract" in Mailiao and "Property Lease Contract" in Taipei.

(Proposed by the Audit Committee)

Secretariat Office reported that this proposal has been unanimously approved by all members of the Audit Committee, that Independent Director Chih-Kang Wang will represent the Company in signing the "Land Lease Contract" and "Property Lease Contract" with Formosa Plastics Corp.)

(As the Chairman and attending Directors William Wong and Susan Wang serve as the Chairman, Managing Director or corporate representative of FPC, recusal shall be required and the Chairman shall designate the Vice Chairman to temporarily serve as the Chair of the meeting.)

(Independent Director Chih-Kang Wang inquired whether monthly rent would follow that from the previous years, and the Accounting Manager provided explanations.)

Resolution:

Approved by all attending Directors, except for the above Directors who recused themselves due to the conflict of interests.

Proposal:

To approve the Company's proposal to expand the 300 mm silicon wafer fab.

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

4.11.8 Board of Directors Meeting on December 21, 2021

Proposal:

For the approval of the establishment of the Company's 2022 audit plan.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the company's amendments to its "Corporate Governance Best Practice Principles."

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's credit limits with financial institutions for operational requirements.

Resolution:

Approved by all attending directors with no dissent.

4.11.9 Board of Directors Meeting on March 4, 2022

Proposal:

For approval of the Proposal of the 2021 Employee Bonus.

Resolution:

Approved by all attending Directors with no dissent, and submitted to the 2022 General Shareholders' Meeting.

Proposal:

For approval of the 2021 Financial Statements, and to establish the 2022 Business Plan.

(President Tanaka and Assistant Manager Shun-Ho Wu reported on the 2021 performance results and 2022 business plan.)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For approval of the Statement of Surplus Allocation in 2021.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the calling of the 2022 General Shareholders' Meeting on June 17, 2022.

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of amendments to the Company's Articles of Incorporation.

Resolution:

Approved by all attending Directors with no dissent, and submitted to the 2022 General Shareholders' Meeting.

Proposal:

For the approval of the Company's loaning of funds to "Formosa Plastics Corp."

(Proposed by the Audit Committee)

(As the Chairman and attending Directors William Wong and Susan Wang serve as the Chairman, Managing Director or corporate representative of the party receiving the loan respectively, recusal is required and the Chairman shall designate the Vice Chairman to temporarily serve as the Chair of the meeting.)

Resolution:

Approved by all attending Directors, except for the above Directors who recused themselves due to the conflict of interests.

Proposal:

For approval of the appointment of a new Finance Manager.

(Proposed by the Audit Committee)

(As the presenting executive Minoru Miwa is the principal in this proposal, recusal shall be required.)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of amendments to the Company's "Regulations Governing the Acquisition and Disposal of Assets".

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the Company's draft of the "Declaration of Internal Control System."

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

4.11.10 Board of Directors Meeting on May 10, 2022

Proposal:

For approval of the 2022 Q1 Financial Statements.

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For approval of amendments to the Company's "Corporate Social Responsibility Best Practice Principles".

Resolution:

Approved by all attending directors with no dissent.

Proposal:

To establish the Sustainable Development Committee under the supervision of the Board of Directors, and to formulate the Company's "Sustainable Development Committee Charter".

Resolution:

Approved by all attending directors with no dissent.

Proposal:

For the approval of the appointment of Chairman Jason Lin, Director Keiichi Tanaka, and Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya to serve as members of the Company's Sustainable Development Committee.

(As the Chairman, Director Keiichi Tanaka, and Independent Directors Chih-Kang Wang, Norikazu Hatanaka, and Hidemi Sumiya are the principals of this proposal, recusal shall be required, and the Chairman shall designate the Vice Chairman to temporarily serve as the Chair of the meeting.)

Resolution:

Approved by all attending Directors, except for the above Directors who recused themselves due to the conflict of interests.

Proposal:

For the approval of the Company's loaning of funds to "Japan Formosa Sumco Technology Corporation".

(Proposed by the Audit Committee)

Resolution:

Approved by all attending directors with no dissent.

4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D:

Summary Table of Resignation and Dismissal of Relevant Persons of the Company:

Title	Name	Expiration date	Dismissal date	Reasons for resignation or termination
Corporate Governance Supervisor	Rong-Xiang Zhao	2019.5.9	2021.3.23	Job adjustment
Internal Audit Supervisor	Shao-Hsun Chiu	2010.12.22	2021.3.23	Job adjustment
Financial Supervisor	Mitsuru Ichikawa	2018.4.20	2021.8.2	Resignation

The company's relevant persons are the chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and research and development supervisor.

5. Information Regarding the Company's Audit Fee and Independence

5.1 Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Ching-Ting Yang	Wen-Yuan Chuang	2021.01.01 ~ 2021.12.31	2,740	200	2,940	Note1

Note1: Non-audit fee is Transfer Pricing Report fee.

5.2 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: None.

5.3 Audit fee reduced more than 10% year over year: None.

6. Replacement of CPA

6.1 Regarding the former CPA:

Replacement Date	November 10, 2021		
Replacement reasons and explanations	Adjustment of internal duties of the accounting firm.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	√	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	√	
	Remarks/specify details:		
Other Revealed Matters	None		

6.2 Regarding the successor CPA:

Name of accounting firm	Deloitte & Touche
Name of CPA	Ching-Ting Yang and Wen-Yuan Chuang
Date of appointment	November 10, 2021

Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

7. The Company's Chairman, President or Managers in charge of Finance or Accounting has been under Current Audit Firm or its Affiliates' Employment in 2021: None.

8. Changes in Shareholding and Pledge of Directors, Managers and Major Shareholders

8.1 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2021		As of Apr. 25, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Formosa Plastics Corporation	-	-	-	-
Legal representative of Chairman	Jason Lin	-	-	-	-
Vice Chairman	SUMCO TECHXIV Corp.	-	-	-	-
Legal representative Of Vice Chairman	Michiharu Takii	-	-	-	-
Director	William Wong	-	-	-	-
Director	Susan Wang	-	-	-	-
Director	SUMCO TECHXIV Corp.	-	-	-	-
Legal representative of Director	Jiro Ryuta	-	-	-	-
Director	SUMCO TECHXIV Corp.	-	-	-	-

Legal representative of Director and General Manager	Keiichi Tanaka	-	-	-	-
Director and Vice General Manager	Akira Inoue	-	-	-	-
Director	Zhi-Gang Wang	-	-	-	-
Director	Norikazu Hatanaka	-	-	-	-
Director	Hidemi Sumiya	-	-	-	-
Vice President	Shun-Ho Wu	-	-	-	-
Financial Officer	Miwa Minoru	-	-	-	-
Accounting Supervisor	Ping-Yueh Yu	-	-	-	-

8.2 Shares Trading with Related Parties: None.

8.3 Shares Pledge with Related Parties: None.

9. Relationship among the Top Ten Shareholders

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
SUMCO TECHXIV Corp. Michiharu Takii, Jiro Ryuta, Keiichi Tanaka	176,742,849	45.57%	-	-	-	-	None	None	
Formosa Plastics Corp. Jason Lin	112,707,716	29.06%	-	-	-	-	Asia-Pacific Investment Corporation	Representative of Formosa Plastics Corp. is one of the Asia-Pacific Investment Corp.'s Directors.	
Asia-Pacific Investment Corporation	34,675,146	8.94%	-	-	-	-	None	None	
Allianz Gbl Inv Taiwan Tech Investment Account	4,827,000	1.24%	-	-	-	-	None	None	
New Labor Pension Fund	3,569,500	0.92%	-	-	-	-	None	None	

Public Service Pension Fund Management Board	2,655,000	0.68%	-	-	-	-	None	None	
Allianz Global Investors Taiwan Intelligence Trends Fund Investment Account	2,500,000	0.64%	-	-	-	-	None	None	
Allianz Global Investors Taiwan Fund Investment Account	1,989,000	0.51%	-	-	-	-	None	None	
Fuh Hwa Small Capital Fund Investment Account	1,631,000	0.42%	-	-	-	-	None	None	
J.P. Morgan Funds managed by Chase Bank Investment Account	1,150,300	0.30%	-	-	-	-	None	None	

10. Ownership of Shares in Affiliated Enterprises

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Formosa Petrochemical Corp.	3,247	-	2,720,549,010	28.56%	2,720,552,257	28.56%
Japan Formosa Sumco Technology Corp.	9,980	100	0	0	9,980	100%

IV. Capital Overview

1. Capital and Shares

1.1 Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
98.07	10	775,697	7,756,966	775,697	7,756,966	Earnings capitalization NT\$ 369,379 thousand (Approval sought from Letter No. Jing,Shou-Shang-Z i-09801168890 dated 2009.7.29)	None	None
107.07	10	775,697	7,756,966	387,848	3,878,483	Capital reduction and refund NT5 per share (Approval sought from Letter No. Jing,Shou-Shang-Z i-10701091610 dated 2018.7.30)	None	None

Note 1 : Fill up to the current fiscal year up to the date of publication of the annual report.

Note 2 : Note the validity (approval) date and literature for fund increase.

Note 3 : Shares issued in value lower than the par value shall be labelled through visible marks

Note 4 : Monetary liabilities and technology offsetting shares shall be described with the type and amount of offset indicated.

Note 5 : Private fundraising shall be labelled through visible marks.

Share Type	Authorized Capital			Remarks
	Issued Shares(Note)	Un-issued Shares	Total Shares	
Common Stock	387,848,300	387,848,299	775,696,599	None

Note : Issued Shares are the shares of listed company.

1.2 Structure of Shareholders

2022.4.25

Structure of Shareholders Quantity (Qty)	Governmental Institution	Financial Institution	Other legal persons	Natural Person	Foreign Institutions and Foreign Individuals	Total
Number of persons	1	59	70	12,510	151	12,791
Shareholding	48,000	19,842,238	157,577,524	23,647,780	186,732,758	387,848,300
Shareholding ratio	0.012%	5.116%	40.629%	6.097%	48.146%	100%

Note : The initial listed (OTC) companies and emerging companies should disclose the shareholding ratio of Chinese investors. Chinese investors meant for the citizens, legal persons, groups, institutions of Mainland China or the companies invested in third countries that have invested in Taiwan in accordance with Article 3 of the “the Measures Governing Investment Permit to the People of the Mainland Area.”

1.3 Status of Shareholding Distribution

2022.4.25

Shareholding class	Number of Shareholders	Shareholding (Shares)	Shareholding ratio(%)
1~ 999	4,603	1,109,278	0.286
1,000~ 5,000	7,389	12,221,232	3.151
5,001~ 10,000	405	3,146,365	0.811
10,001~ 15,000	105	1,385,109	0.357
15,001~ 20,000	71	1,309,914	0.338
20,001~ 30,000	64	1,622,5754	0.418
30,001~ 40,000	23	813,000	0.210
40,001~ 50,000	21	955,987	0.246
50,001~ 100,000	36	2,643,754	0.682
100,001~ 200,000	27	4,071,930	1.050
200,001~ 400,000	24	6,395,154	1.649
400,001~ 600,000	3	1,541,000	0.397
600,001~ 800,000	5	3,426,000	0.883
800,001~ 1,000,000	4	3,664,500	0.945
Over 1,000,001	11	343,542,511	88.577
Total	12,791	387,848,300	100

1.4 List of Major Shareholders

Shares Name of Major Shareholders	Shareholding	Shareholding ratio(%)
SUMCO TECHXIV Corporation	176,742,849	45.57%
Formosa Plastics Corporation	112,707,716	29.06%
Asia- Pacific Investment Corporation	34,675,146	8.94%
Allianz Gbl Inv Taiwan Tech Investment Account	4,827,000	1.24%
New Labor Pension Fund	3,569,500	0.92%
Public Service Pension Fund Management Board	2,655,000	0.68%
Allianz Global Investors Taiwan Intelligence Trends Fund Investment Account	2,500,000	0.64%
Allianz Global Investors Taiwan Fund Investment Account	1,989,000	0.51%
Fuh Hwa Small Capital Fund Investment Account	1,631,000	0.42%
J.P. Morgan Funds managed by Chase Bank Investment Account	1,150,300	0.3%

1.5 Market Price, Net Worth, Earnings, and Dividends per Share in the Most Recent Two Years

Year		2020	2021	2022/1/1~ 2022/3/31 (Note 8)	
Item					
Market Value per share (Note 1)	Highest	166.50	312	376.00	
	Lowest	100.50	124.5	237.00	
	Average	128.70	177.97	285.7	
Net Worth per Share (Note 2)	Before Distribution	52.46	53.77	56.32	
	After Distribution	-	-	-	
Earnings per Share	Weighted Average Outstanding Shares	387,848,300	387,848,300	387,848,300	
	EPS (Note 3)	3.37	3.64	2.58	
Dividends per Share	Dividends per Share		2.15	2.22	-
	Stock Dividends	0	0	-	-
		0	0	-	-
	Accumulated Undistributed Dividends (Note 4)		0	0	-
Investment Return Analysis	Price / Earnings Ratio (Note 5)		38	49	-
	Price / Dividend Ratio (Note 6)		60	80	-
	Cash Dividend Yield Rate (Note7)		1.67	1.24	-

*In case of profits or capital reserve reinvested to allotment of shares, the number of shares to be distrusted should be disclosed with traced adjustment of market value and cash dividend information.

Note 1 : Denotes the common shares with highest and lowest market value for each year, calculated for the average annual market value for the trading value of each year and the trading volume.

Note 2 : Please use the number of share outstanding by the end of the year and filled out by the distribution of the resolutions made by the Shareholders' Meeting of the second year.

Note 3 : In the event of free allotment and requires tracing for adjustment, each EPS shall be listed before and after adjustment.

Note 4 : In case the condition of outstanding equity security is distributed according to the undistributed dividends of that year accumulated to the year with earnings, the accumulated undistributed dividends of that year shall be disclosed respectively.

Note 5 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6 : Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7 : Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8 : Net worth per share and EPS shall be filled to the date of publication of the annual report with the data attested (reviewed) by the CPA in last quarter. The other columns should also be filled up data during the current fiscal year up to the date of publication of the annual.

1.6 Dividend Policy and Implementation Status

1. Dividend policy:

The company is in a high-tech, capital-intensive industry and is currently in an industry growth phase. To continue company growth, our dividend policy has adopted a combination of three methods: distribution of cash dividends, reinvesting retained earnings, and reversal of capital surplus to capital increase. After deducting legal capital reserve and special capital reserve from the distributable income for the year, up to 80% of the income will be distributed, with cash dividends taking precedence. However, in case the company has material investment plans or needs to improve its financial structure, a part of the dividend may be distributed in the form of reinvestment through retained earnings and reversal of capital surplus to capital increase to prevent any effects on the levels of dividend payment in the future. In addition, to prevent effects of capital-based growth, the cumulative sum of reinvestment of retained earnings and reversal of capital surplus to capital increase may not exceed more than 50% of the total dividends for the year.

2. Distribution of dividends proposed at the most recent Shareholders' Meeting

The Shareholders' Meeting proposed to distribute NT\$2.22 of cash dividend for every share and NT\$0 of share dividends (retained earnings will be reversed as capital increase). Cumulatively, NT\$2.22 of dividend will be distributed for each share.

3. Expected significant change in dividend policy : None.

1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting :

There are no proposed stock dividends at this Shareholders' Meeting and the Company does not need to prepare financial forecasts, so it is not applicable.

1.8 Compensation of Employees, Directors and Supervisors

1.8.1 Quantity or scope of compensation for employees, directors, and

supervisors as prescribed under the Articles of Association:

Article 28 of the company's Articles of Association:

In case profit is recorded in a year, 0.05% to 0.5% shall be allocated as employee bonus from the pretax profit before deducting employee bonus. However, if the company still records a cumulative loss, its profit shall first be used to make up the loss.

The determination of employee bonus is handled in accordance with Article 235-1 of the Company Act and Article 29 of the company's Articles of Association:

The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal capital reserve. The Company may then appropriate or reverse a certain amount as special capital reserve according to relevant regulations. Subsequently, dividends may be appropriated. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved by the General Shareholders' Meeting.

- 1.8.2 Basis of estimating employee, directors' and supervisors' bonus in the period, basis of calculating employee bonus appropriated in shares, and accounting treatment if discrepancy is found between the actual distributions and the estimates:

Pursuant to the company's Articles of Association, the company has allocated 0.30% from the 2021 pretax profit before deducting employee bonus as bonus for employees, and all of which was distributed in cash. In case material changes in the amounts distributed resolved by the Board before the announcement of the Individual Financial Statements, the change will be treated as adjustment to the original annual expense recorded. If changes exist after the announcement of the Individual Financial Statements, the changes will be treated as changes to accounting estimates, and adjustments will be made in the subsequent year.

- 1.8.3 Information on allocation of compensations approved by the Board of Directors:

Approved by the Board of Directors on March 4, 2022.

(1) The company proposes to distribute NT\$5,055 thousand of

cash as employee bonus in cash, NT\$0 in shares, and NT\$0 as directors' and supervisors' bonus. There is no discrepancy between the estimated amount of employee bonus recognized and the actual amount that is planned to be distributed.

- (2) The company proposes to distribute NT\$0 shares as employee bonus, accounting for 0% on the after tax net profit on the Consolidated Financial Statements and the total employee bonus.

1.8.4 Actual distribution of compensations for employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized compensations for employees, directors, and supervisors, the difference, cause, and treatment of the discrepancy should be described:

The company's Board of Directors' resolutions on March 23, 2021 and the actual distributions:

- (1) Actual distribution of employee bonus is NT\$4,647 thousand in cash, NT\$0 in shares, and NT\$0 as directors' and supervisors' bonus.
- (2) Actual shares distributed as employee bonus is NT\$0, accounting for 0% on the after tax net profit and the total employee bonus.
- (3) Earnings per share (EPS) is NT\$3.37 after actual distribution of employee bonus and directors' and supervisors' bonus.
- (4) Aforementioned actual distributions of employee cash bonus, share bonus, and directors' and supervisors' bonus had no discrepancies with what was proposed by the Board of Directors. Any directors and supervisors' bonus that was not received in over 5 years will be treated as reversal of other gains for the company.

1.9 Share Repurchases by the Company : None.

2. Issuance of Corporate Bonds : None.

3. Issuance of Preferred Stock : None.

4. Issuance of Global Depositary Receipts : None.
5. Issuance of Employee Stock Options : None.
6. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies : None.
7. The Implementation of the Company's Capital Allocation Plans
 - 7.1 Content of the Plan
 - (1) For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities : None.
 - (2) Issues and placements that were completed in the past 3 years but have not yet fully yielded the planned benefits : None.
 - 7.2 The Status of Implementation : None.

V. Operational Highlights

1. Business Content

1.1 Scope of business

1.1.1 Major businesses:

- (1) CC01080 Electronic Parts and Components Manufacturing.
- (2) F401010 International Trade.
- (3) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

1.1.2 Percentage of revenue

Major products	2021 Net operating revenue (in thousand NTD)	Percentage of revenue (%)
Silicon wafer	12,166,313	100

1.1.3 Company products

200mm silicon wafer, 300mm silicon wafer

1.1.4 Expected new product development

Currently, the Company is still focused on the production of 200mm and 300mm silicon wafers.

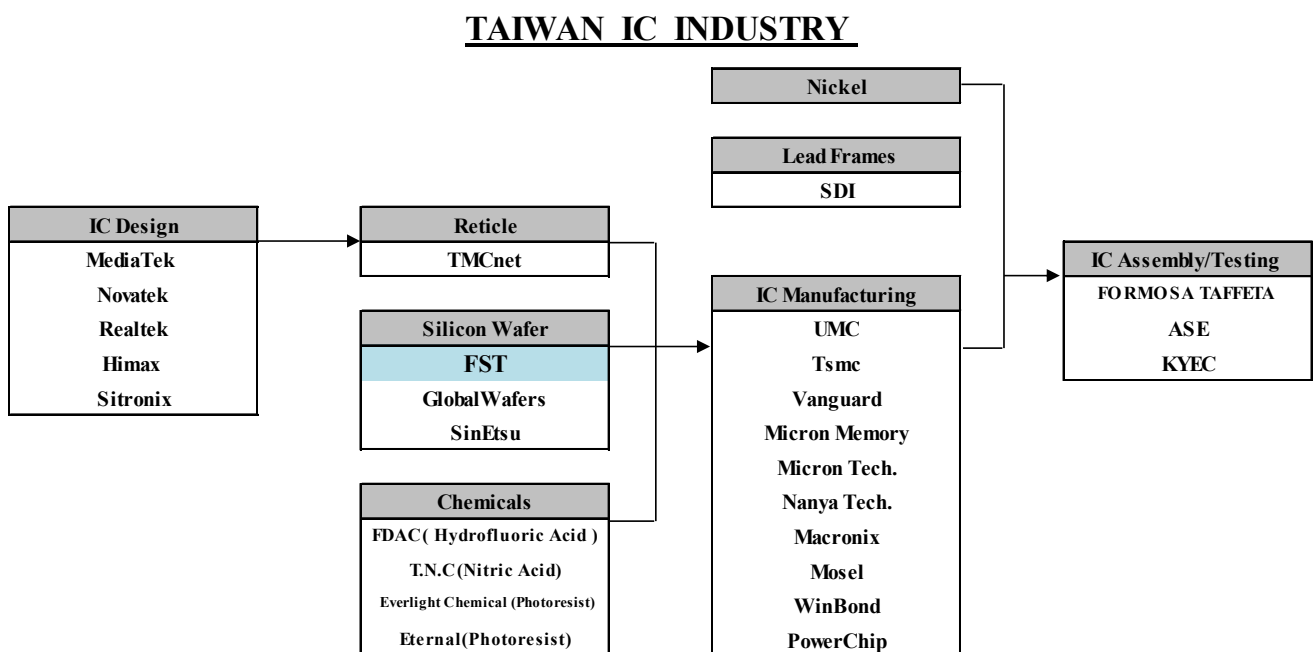
1.2 Industry Overview

1.2.1 Current state and development of the industry

Silicon wafer material manufacturer is an upstream provider in the semiconductor industry and provides necessary raw materials to related businesses. In terms of the 200mm silicon wafer, the Company is one of the three largest suppliers throughout Taiwan. In addition to being dedicated to enhancing quality and service to increase domestic market share, the Company is also actively expanding to overseas and Chinese markets. For the 300mm silicon wafer, an annual production capacity of 50,000 pieces has been accomplished

in November 2006 and samples were formally produced for customer attestation. Mass production has been achieved for both Polished Wafers and Epitaxial Wafers. The company has committed to de-bottlenecking improvements and the company's monthly production capacity for 300mm silicon wafers has reached 300 thousand pieces since the 4th quarter in 2020 with supplying to both domestic and overseas markets.

1.2.2 Correlation among upstream, midstream, and downstream of the industry



1.2.3 In terms of expected product development in the future, we will be transported to an era of 300mm silicon wafers through the need for micro process engineering. Hence, in addition to increasing our existing 200mm wafer market share, our 300mm silicon wafers have also passed attestation from both domestic and overseas customers one-by-one, and monthly capacity has been increased to 160 thousand pieces as of the end of 2008. Moreover, the Company has also increased capacity by an additional 20,000 pieces per month through total production management (TPM), expanding capacity to 280 thousand pieces per month by the second quarter in 2013. The company has committed to de-bottlenecking

improvements and increasing capacity to 300 thousand pieces per month by the 4th quarter in 2020 in the hope of satisfying customers' needs for next-generation products and to enhance Company competitiveness.

1.2.4 Market competition

(1) 200mm wafers:

In terms of end-user needs, due to the need for the construction of 5G infrastructure, the demand for power management IC has greatly expanded. The ratios of sale of large-scale and high-quality LCD monitors have increased, and the demand for LCD driver IC has also increased accordingly. In addition, the demand for automotive electronics and image sensor IC also continues to grow. In terms of customer needs, since the OEM wafer customers have stopped building new plants for the 200mm wafers, the growth of client needs has slowed down. In terms of supply, since new Chinese suppliers are actively increasing their capacity, and some of whom have completed related certifications and began mass production, the market demand/supply balance has begun to be affected. In terms of market economy, since customers are rapidly changing their needs and tend to fluctuate with the economy, a brief period of oversupply for certain products may occur in the future. Since the Company's primary markets and customers are centered around Asia and China, and the Company has cultivated the LCD driver IC, power management IC and the niche memory fields for many years with our major product from the 200mm range—the thermal processed wafer, we have become a major supplier and fostered positive relationships with both our Taiwan and China customers; our competitive advantage is expected to remain.

(2) 300mm wafers:

In recent years, due to increased applications of AI, high performance computing (HPC), big data, and IoT in the semiconductor industry, wafer OEM customers are continuing to expand capacity and DRAM customers have reached full capacity. In addition, since China is actively developing its semiconductor industry, customers' needs for the 300mm silicon wafer is continuing to grow. The demand began to exceed the supply due to the gradual expansion of the demand for 5G, AI and automotive and foundry customers are expanding production actively. Besides, quality requirements are even more rigorous as the demand for microprocessing and wafer OEM for pioneering products in the Taiwanese DRAM industry grows. The Company is a Taiwan-based one-stop silicon wafer fab for 300mm wafers with strengths in local supply and the ability to shorten pre-processing time before delivery. Hence, we can continue to grow along with the demand for 300mm wafers from Taiwanese customers.

1.3 Technology and R&D Overview

In response to the trend for microprocessing improvements from semiconductor clients throughout the world, the Company is committed to continuous technological improvements and R&D of quality aspects including flatness and cleanliness of silicon wafers. In terms of crystallization technology, research and development have been done to improve micro-defects within crystals, and start the mass production of high quality crystals with advanced processes. In terms of polishing and processing techniques, high flatness and low particle defect processing technology development and improvement is implemented. In terms of epitaxial processing, by developing the technology needed for processing improvements, we have achieved the quality standard of wafer particle deposition and cleanliness required by customers, satisfying their mass production needs and quality requirements. We aim to increase overall

competitiveness and expand market share, and to become the most-trusted silicon wafer supplier to customers.

1.4 Short-term and Long-term Business Development Plans

1.4.1 Short-term goals

Increase market shares of 200mm and 300mm fabs, continue technical improvements in the manufacturing of the 300mm wafers, and actively market our in-house 300mm silicon wafers.

- (1) Actively expand overseas market.
- (2) Enhance technical quality and capacity to meet more refined microprocessing needs.
- (3) Increase market share of certified quality.
- (4) Reinforce business and technical service quality to better utilize competitive advantage of localized supply.
- (5) Actively promote sales of 300mm wafers.

1.4.2 Long-term goals

Increase manufacturing competency of 300mm wafers and market share. To meet the high quality needs for advanced processing of 300mm silicon wafer from downstream customers, we will accelerate the enhancement of 300mm wafer production competency and market share expansion to pursue for continued expansion in market share for advanced processing and increase in profitability.

2. Market and Production and Sales Overview

2.1 Market analysis

2.1.1 Ratio of domestic and overseas sales and regions of major products

Unit: thousand NTD and %

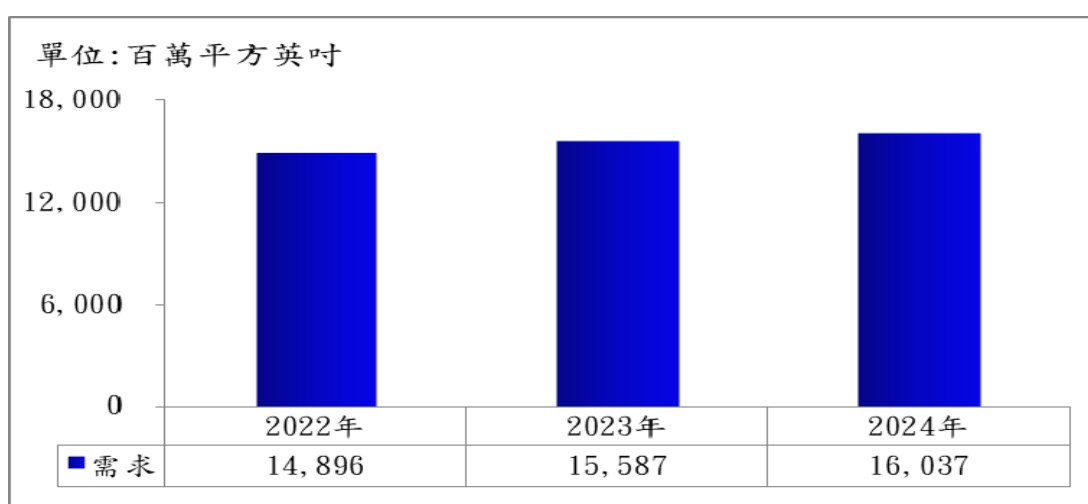
Sales \ Year	2021		2020	
	Monetary amount	%	Monetary amount	%
Domestic sales	8,895,922	73.1	9,325,345	78.1

Overseas sales (Asia, America)	3,270,391	26.9	2,609,352	21.9
Total	12,166,313	100.0	11,934,697	100.0

2.1.2 Domestic market share of major products

As of 2021, FST's 200mm silicon wafer accounted for about 30% of market share in Taiwan. As of 2021, FST's 300mm silicon wafer accounted for about 20% of market share in Taiwan.

2.1.3 Future global market needs



Data Sources :SEMI

2.1.4 Competitive niche

- (1) Supply Annealed Wafer to satisfy customers' needs for processing of 0.13 micron or below.
- (2) The quality of Annealed Wafers is comparable with Epitaxial Wafers but Annealed Wafers are relatively more affordable.
- (3) One-stop manufacturing for 200mm and 300mm silicon wafer fab in Taiwan.
- (4) Provide excellent service quality and realize the competitive strengths of localized supply.

2.1.5 Favorable and unfavorable factors of development prospects and response strategies

(1) Favorable factors:

- a. The Company supplies Annealed Wafers: Annealed Wafers are close in quality to Epitaxial Wafers and are relatively affordable. They are massively adopted by LCD driver IC and power supply IC customers, and the Company is a local supplier with outstanding quality in Taiwan.
- b. Launch QCDS customer service thoroughly: Effectively satisfy customer needs through rigorous control over quality (Q), cost (C), delivery timeliness (D), and service (S), to achieve No. 1 rating from multiple large customers among various suppliers.
- c. Actively expand Chinese market: While the Chinese market is gradually growing, we will actively penetrate and expand market share. Currently, we have already become a major supplier to multiple customers.
- d. Actively enhance the production competency of 300mm fab: We actively develop next-generation products; currently we have already achieved certification from domestic and international customers one-by-one and launched mass production.
- e. Utilize excellent production technology from SUMCO and SUMCO TECHXIV and the excellent management system from Formosa Plastics Corp. (FPC): Build the most well-rounded Company system to cultivate competitiveness.

(2) Unfavorable factors: To increase market shares in Asia and China, each industry competitor has adopted market strategies to actively respond to market movements, leading to even more intense market competition.

(3) Response strategies: Besides responding to market conditions and flexibly adjusting marketing strategies,

the Company will also actively conduct cost reductions and reinforce customer service to increase customer satisfaction and market share. Furthermore, cost reductions will also help to ensure profitability.

2.2 Important uses of major products and production process

2.2.1 Product use:

Major products	Application fields
200mm and 300mm silicon wafer	Used toward semiconductor production (e.g. IC and DRAM production)

2.2.2 Production process:

200mm silicon wafer: monocrystalline pulling → slicing → lapping → etching → polishing → inspecting → cleaning → annealing → cleaning → inspecting → product output

300mm silicon wafer: monocrystalline pulling → slicing → dual-sided lapping → peripheral lapping → etching → thermal processing → cleaning → polishing → inspecting → cleaning → epitaxial processing → cleaning → inspecting → product output

2.3 Supply of major raw materials

2.3.1 Supply of polycrystalline silicon (also called polysilicon or poly-Si):

Name of raw material	Supplier	Current supply
Polycrystalline silicon	Marubeni Corporation	Fair
	Wacker Chemicals Co., LTD.	Fair
	Mitsubishi Materials Trading Corporation	Fair

2.3.2 The Company adopts procurement contracts to create an environment that fosters equal trade. We seek for quality suppliers who provide appropriate and suitable equipment, materials or engineering in the right amount on a timely basis

with reasonable prices to meet the expansion or operating needs from each department.

(1)Open and fair procurement contract mechanism

The Company adopts an "open tender" method through the procurement contract system on FPC's online trading platform, which provides multiple functions online for suppliers ranging from price inquiry, quotation, negotiation, order placement, delivery, to payment status query. All data goes through electronic encryption and firewall management to strictly ensure the safety of all transaction information. Suppliers can query project status and give quotations online from anytime, anywhere, which greatly enhances efficiency while also saves costs and time and lowers operating costs, helping them to enhance sales profit.

For any given tender project, the suppliers with the lowest prices who meets the delivery and quality requirements will be granted priority purchasing rights after the tender closes. This ensures that both buyers and sellers can reasonably achieve their goals in a harmonious environment.

(2)Sound vendor management

To achieve stable material quality and delivery schedule and to ensure engineering quality and progress, the Company utilizes a sound supplier management and evaluation system. During supplier registration, all suppliers go through evaluation and are graded. Moreover, to rule out inferior suppliers and to foster long-term quality suppliers to achieve a mutually synergistic partnership, suppliers who fail to meet delivery or engineering deadlines, have inferior quality, or violate engineering safety regulations will be automatically listed in the evaluation records.

(3)Online transactions to ensure synergy

By integrating the well-rounded enterprise resource

planning (ERP) computer management system over the years with a digitized, open and transparent online procurement contract system, the Company has construed a quality, secure, convenient, and fast online transaction environment. Through adopting and expanding our experiences to other vertical and horizontal industries, we aim to share our "FPC experience" for the digital era with all businesses. Currently, we have coordinated from the upstream to downstream supply chain system, and more than 10,000 suppliers and contracts collectively share business opportunities and economic benefits brought from open trade on this online transaction platform.

2.4 The name, purchase (sale) amount, and ratio of the customers accounted for over 10% of the total purchase (sale) in one of the most recent two fiscal years, and the reason for the changes in purchase (sales)

2.4.1 Major Clients in the Last Two Fiscal Years

Unit : NT\$ thousands

Item	2020				2021				2022Q1 (Note 2)			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	A Company	2,830,493	23.72	None	A Company	2,972,026	24.43	None	A Company	866,753	23.19	None
2	SUMCO TECHXIV Corp.	1,840,765	15.42	Parent Company	SUMCO TECHXIV Corp.	1,848,353	15.19	Parent Company	M Company	577,543	15.45	None
3	M Company	1,557,855	13.05	None	M Company	1,517,530	12.47	None	SUMCO TECHXIV Corp.	447,878	11.98	Parent Company
4	D Company	745,070	6.24	None	Other	5,828,404	47.91	None	B Company	390,944	10.46	None
5	Nanya Technology Corp.	573,342	4.81	None					W Company	375,518	10.04	None
6									Other	1,079,768	28.88	None
	Net sales	11,934,697	100		Net sales	12,166,313	100		Net sales	3,738,404	100	

Note 1 : Major suppliers refer to those commanding 10%-plus share of annual order volume.

Note 2 : For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

2.4.2 Major Suppliers in the Last Two Fiscal Years

Unit : NT\$ thousands

Item	2020				2021				2022Q1 (Note 2)			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Japan Formosa Sumco Technology Corp.	730,518	14.47	Subsidiary	Japan Formosa Sumco Technology Corp.	696,658	13.99	Subsidiary	Japan Formosa Sumco Technology Corp.	179,671	10.37	Subsidiary
2	Tokuyama Corp.	638,073	12.64	-	Tokuyama Corp.	573,708	11.52	-	Tokuyama Corp.	164,797	9.51	-
3	SUMCO Corp.	529,073	10.48	Ultimate Parent Company	SUMCO Corp.	539,611	10.84	Ultimate Parent Company	SUMCO Corp.	139,503	8.05	Ultimate Parent Company
4	Other	3,150,016	62.41		Other	3,170,053	63.65		Other	1,249,051	72.07	
	Net Purchases	5,047,680	100		Net sales	4,980,030	100		Net sales	1,733,022	100	

Explanation : (1)The purchase amount from Japan Formosa Sumco Technology Corporation decreased in 2021 compared with 2020, mainly due to the decrease in the number of imported ingots.

(2)The purchase amount from Tokuyama Corporation decreased in 2021 compared with 2020, mainly due to the decrease in the amount of imported raw materials.

(3) The purchase amount from SUMCO Corporation increased in 2021 compared with 2020, mainly due to the increase in the number of imported ingots.

Note 1 : Major clients refer to those commanding 10%-plus share of annual order volume.

Note 2 : For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

2.5 Production in the Last Two Years

Unit : PC/thousands

Output Products	Year	2021			2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Silicon Wafers		7,740,000	7,653,084	11,933,187	7,560,000	7,340,057	11,789,988
Others			356,962	251,162		287,085	203,390

2.6 Shipments and Sales in the Last Two Years

Unit : PC/thousands

Output Products	Year	2021				2020			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Silicon Wafers		5,713,780	8,895,922	2,258,625	3,270,391	5,727,775	9,325,345	1,918,575	2,609,352

3. Human Resources

Human resource is the most important asset to the Company. The Company is dedicated in pursuing for ways that allow each employee to work in a secure environment and to realize their full potentials. Therefore, the Company provides stable and competitive compensations and comprehensive benefits to attract outstanding talent, and conduct a comprehensive training and promotional development system to achieve our fundamental policy of full utilization of human resources.

3.1 Employees

Year		2020	2021	2022.3.31
Number of Employee	Supervisor	106	108	107
	Junior supervisor	185	190	194
	Staff Level	1,045	1,071	1,112
	Total	1,336	1,369	1,413
Average Age		36.5	36.5	38.4
Average Years of Service		10.1	10.1	12.0
Academy Ratio (%)	Ph.D.	0.1	0.1	0.1
	Masters	5.5	6.2	6.2
	Bachelor's Degree	63.4	63.2	63.0
	Senior High School	31.0	30.5	30.7
	Below Senior High	0	0	0

3.2 Employee development

The Company has planned a well-rounded training system for new employees and formulated a positive environment for working and learning in the hope of fostering professional talent who are proactive and possess innovative mind-sets. Concurrently, through the comprehensive training program at each stage throughout an employee's career, every employee can become outstanding talent with both professional and management expertise through gradual development training to realize and exceed themselves. The comprehensive training

includes: college and university management training, job-related basic training, professional competency training, management training, and mid-level and senior management training, which are implemented along with online instruction, job rotation, external training opportunities, and instruction from external experts to provide a work environment that fosters continuous learning and development.

4. Information on Environmental Expenditure

4.1 Safety and health environmental protection policy:

We believe in emphasizing environmental protection along with industrial development. Ensuring product safety, and the safety of employees, contractors, suppliers, and the community is our corporate social responsibility (CSR), as well as a part of our business competitiveness.

We believe that every disaster or accident of every size can be prevented. By mobilizing the strengths of the organization and system in line with the company's values, we can help the working standards in each facility within the company to reach tolerable levels. To reach this objective, all supervisors need to attain adequate participation and understanding, provide adequate training, and require thorough implementation of the system as well as continuous improvement to ensure that policies and goals will be met.

All employees need to improve their professionalism at all times, and to see health and environmental protection as the most basic factors of consideration in making every single decision. Employees need to thoroughly understand the meaning of the system and to implement it in a thorough fashion. In addition, they also need to foster an inquisitive attitude and to continuously improve and to advance using the best operating model throughout the industry.

Ensuring the safety of our colleagues, neighbors, and ourselves as well as safeguarding our environment and corporate assets is not only our individual responsibility but also a collective one in pursuit of perpetual business operations.

4.2 Executions of greenhouse gas reduction measures:

Holding true to a management vision of emphasizing both industrial development and environmental protection, the company achieves positive results in environmental protection by being inquisitive and getting to the root of the problem. To fulfill our responsibility for being a part of the global community, we established the "greenhouse gas (GHG) verification and reduction promotions team" along with Formosa Plastics Group

in 2005 to actively promote GHG verification and reductions throughout the company. Every company throughout the Group formed GHG emissions verification team, in which the Group Administration organized training for GHG verification personnel, who would be in charge of auditing the accuracy of GHG verification results in their respective facilities. The results would serve as strategic reference for Formosa Plastic Group and the company's efforts toward GHG reductions in response to regulatory trends in Taiwan and overseas in the future.

To actively conduct GHG reductions, the company has undertaken the following emission reduction measures for public facilities and production facilities with larger emissions:

- (1)Energy conservation: enhance the operating efficiency from public facilities, improve machine utilization rate, and select high energy-efficient facilities, and opt for products with lower power consumption such as LED lamps.
- (2)Processing reductions: Replacing old (energy-consuming) equipment, improving GHG emission sources, and reducing the unit consumption of raw materials.
- (3)Search for alternatives: strengthen the leakage control and recycle management of fluorine compounds (coolants and solvents), and seek for alternative substances that pose lower impacts on the greenhouse effect.

The company will gradually review and set up energy consumption targets in each year and designate processing improvement personnel. We will continuously reduce and improve material and energy consumption through encouraging the project improvement and individual creativity incentive system, as well as set up GHG emission control standards for each unit of product.

Table 1 GHG Reduction Measures

Item	Category	Content
1	Review and set up energy consumption targets throughout the plant in each year	Energy consumption targets will be set up each year when preparing annual budgets for the plant, and monthly comparisons on implementation results

		will be conducted. In addition, improvement projects on specific energy topics will also be conducted and reported.
2	Designate processing improvement personnel	To continue to undertake material and energy consumption improvements.
3	Promote improvement incentive projects	The company will launch the project improvement incentive system, and to give NT\$300 to NT\$20,000 as project proposal bonus.
4	Encourage individual creativity	The company has already launched the IE improvement proposal incentive system, and gives NT\$300 to NT\$20,000 as proposal bonus.
5	Set up GHG emission control standards for each unit of product	To understand any discrepancies between the actual product GHG emissions and the standard GHG emission volumes and require respective departments to review and to undertake improvements; currently, such discrepancies have been gradually reduced in each year.

To enhance compliance of the GHG verification, reduction, internal audit, and preparations of the verification report, the company has implemented the "Greenhouse Gas Verification and Reduction Management Procedures" announced by the Group Administration in 2006. In addition, since GHG emissions require long-term verification over the years, the Group Administration has planned and implemented the "Greenhouse Gas Verification and Reduction Programming Procedures" to save operating manpower and enhance the accuracy and consistency of data to enhance the efficiency of the verification works. The Procedures computerize the manual charts and tables to simplify the control and comparison of emissions. At the same time, attestation of the performance of GHG verification is conducted in line with the total engineering promotion plan from

the Safety, Health and Environmental Center from the Group Administration. The company has also commissioned BSI to complete the certification of the verification results of total GHG emissions and unit product emissions from 2005 to 2020. For this year, we expect to begin verification of total GHG emissions and unit product emissions in May 2021.

4.3 Measures of air pollution prevention management:

Over the years, the company has constantly committed to active improvements of pollution prevention and achieved positive results as well as accumulated a wealth of experience in terms of pollution prevention. Therefore, to better protect the environment, we continue to maintain the best management mechanism on top of various well-rounded pollution preventive systems along with our years of experience. Currently, our pollution prevention performance is in line with the best industry standards.

Since the company is located in Mai Liao Plant within the Group, the Group Administration undertakes the following air pollution controls over our facility: voluntary environmental protection inspection, onsite equipment component audit, continuous emission monitoring system (CEMS), facility roof surveillance and recording, peripheral and storage tank volatile organic compounds (VOC) sampling analysis, peripheral air quality detection, and weekly odor joint inspection. We strive to maintain the safety of the peripheral environment and our workplace, and on top of supervising the company's continuous compliance, we can also monitor whether impacts are caused by abnormalities from other petrochemical processing facilities. The Group Administration requires the continuous emission monitoring system (CEMS) to be installed on all large-scale emission sources, which allows for 24/7 real-time monitoring through electrometers and distributed control systems (DCS). Warning will be issued when an abnormality is found, and improvement processing will be conducted immediately. To rapidly understand the sources of odor and to undertake control and improvements, volatile organic compounds (VOC) sampling and gas chromatography (GC) analysis are done for neighboring

areas and peripherals of large storage tanks. A VOC trait database is established, allowing for cross-reference with the established data to find the sources of pollution so the company may ask related facilities and divisions for improvements, thus lowering the external environmental impacts to the company.

In addition, Formosa Plastics Group has also allocated six mobile Fourier-transform infrared spectroscopy (FTIR) machines and eight fixed FTIR machines at our Mai Liao Facility for air pollution continuous surveillance and supervision over improvements. Each detection machinery is equipped with transportation vehicle, allowing for mobile detection, helping us to establish a more well-rounded air pollution preventive network throughout the facility.

4.4 Measures of water pollution prevention management:

To enhance compliance of the water pollution prevention works at the company to abide by relevant environmental laws and to initiate wastewater reduction, to economically and effectively treat effluents and to control effluents and rain water discharge, the company has established the following measures for water pollution prevention management pursuant to governmental regulations:

4.4.1 Wastewater source management

To fulfill wastewater source management in practice, wastewater source processing management and surveillance management regulations are established for the following wastewater collection, transportation, and pre-treatment facilities:

- a. Processing wastewater collection and transportation facility.
- b. Construction wastewater collection and treatment facility.
- c. Domestic wastewater collection and transportation facility.

- d. Other wastewater collection and transportation facility.
- e. Wastewater pre-treatment facility.
- f. Wastewater source water quality and volume stabilizing facility.

4.4.2 The following regulations are established for wastewater treatment processes:

- a. Treatment facility planning and emission permit regulations, including: (1) planning and establishing the relevant department, (2) setting wastewater treatment facility, and (3) obtaining effluents discharge permit.
- b. Regulations for the operation of wastewater treatment facilities, including: (1) wastewater treatment operational regulations, (2) effluents discharge operational regulations, (3) wastewater treatment records, (4) wastewater treatment daily reports, (5) regular wastewater treatment announcements, (6) analysis of wastewater treatment functions and (7) abnormal reporting operations in accordance with related laws.
- c. Regulations on wastewater treatment cost management, including: (1) range of the treatment cost, (2) setting up the wastewater cost center, (3) setting up treatment cost comparison units, (4) setting up wastewater cost items, (5) apportioning treatment costs, (6) pricing for wastewater treatments, and (7) review of processing costs.
- d. Rainwater collection and discharge management, including: (1) Collection, transportation and pre-treatment facilities: rainwater collection and discharge facilities at the plant, rainwater drainage systems in public areas, and rainwater discharge reporting operations. (2) Management measures: control of rainwater discharge inlets, rainwater

collection and discharge control at various facilities, and inspection, maintenance, and operation of rainwater channels and gates in public areas.

- e. Waste/rainwater emission detection management, including: (1) wastewater discharge continuous water monitoring systems (CWMS), and (2) wastewater/rainwater emission inspection.

4.4.3 The following regulations are set up for wastewater reduction procedures:

- a. Establishing the standards for wastewater from various unit products.
- b. Wastewater reduction review and reporting for improvement.

4.4.4 Supervision and audit works, including:

- a. Supervision.
- b. Inspection.
- c. Audit.
- d. Abnormality reporting and treatment.

4.5 Waste management measures:

To achieve sustainable resource utilization and to control the costs of clearing waste substances, the company's waste management is mostly focused on reducing waste from production, followed by outsourcing waste treatment. Moreover, the priority of outsourced treatment will be focused on recycling, followed by incineration and burial. The management measures related to the classification, storage, reuse, and removal of wastes of the company are as follows:

4.5.1 Classification and storage of wastes after produced: Treatment is in line with waste clearance needs and in consideration of waste removal laws. General waste, processing waste, and industrial waste is classified and separately stored in collection bins/bags or suitable containers. Containers shall be well maintained and there shall not be dirt, rust, leaks, or out of shape, and the water

or rainproof facility, wastewater prevention equipment and labeling shall be set up at the waste storage environment.

4.5.2 Waste removal and disposal operations: To ensure that all business wastes are legally reused or cleared, the company has established a computerized waste management system, including:

- a. Setting up a disposal and cleaning supplier database to manage the environmental information of waste contractors.
- b. Online reporting and management procedures to ensure outgoing wastes have all been reported.
- c. Clearance report to manage related procedures to ensure that the items and quantities of outgoing wastes are in compliance with declared information.
- d. Subsequently, to understand the movements of waste substances, in addition to requiring contractors to undertake online reporting and to establish tracking procedures for cleanup, the company also requires onsite personnel to follow the cleaning vehicle for each cleaning operation of hazardous business waste. At least one onsite inspection will be arranged in each year for hazardous business waste and normal business waste (waste liquids, oils, and slush). In addition, to avoid illegal waste treatment leading to subsequent pollution, legal documentation and paperwork for proper waste treatment will be required every time a waste treatment vendor bills the company for waste cleaning costs.

4.5.3 Performance management over waste treatment: Every department throughout the company has set up (1) volume standards for waste clearance, (2) cost standards for outsourcing waste cleanup, and (3) standards for in-house waste treatment. Departments that exceed the standards will need to produce review reports and submit improvement measures.

4.6 Losses (including indemnities) and punishments incurred from environmental pollution in the most recent year and as of the date of publication of the Annual Report: In 2021, for wastewater quality

auto-monitoring and CWMS in a silicon foundry, report hadn't been made 5 to 10 days prior to the review testing day. Due to the overdue report, NT\$14,000 was fined.

4.7 Countermeasures and possible expenditure in the future:

To fulfill environmental protection and achieve sustainable management goals in practice, the company has established the following reduction targets for 2022: energy consumption (steam and electricity) will be reduced by 3%, water consumption 2%, and waste 1%. Therefore, investments toward certain improvements are projected to increase. Moreover, countermeasures and possible expenditure in the future include the following projects:

4.7.1 In response to process adjustments, factory expansion and regulatory changes, application for environmental protection license changes will be necessary: In conjunction with the wafer fab production process crystallization high-quality and raw material adjustment changes, the company plans to apply for the change of relevant license documents, amounting to approximately NT\$3,860 thousand.

4.7.2 Continued response to soil pollution control: As environmental pollution is an issue of concern for neighboring residents, the company has already planned to set up groundwater surveillance wells and arranged for quarterly sampling analysis. Related fees will amount to approximately NT\$180 thousand. At the same time, soil pollution fees in line with regulatory requirements will be approximately NT\$400 thousand in each year.

4.7.3 In response to customers' environmental restricted substance commitment: Due to the significant increase of the items included in customers' environmental restricted substance commitment, third-party inspection for substances of concern will be arranged, and inspection will cost approximately NT\$300 thousand per year.

4.7.4 Promotion of environmental sustainability issues:

- (1) In response to GHGs inventory, the Company plans to assign the performance verification to a verification unit. The fee is expected to be NT\$60 thousand.

- (2) Task Force on Climate-related Financial Disclosures (TCFD): The Company actively responded to the highly-concerned climate issues in the world. Most global sustainability rating institutions incorporate TCFD in the assessment and report. By setting goals and indicators in governance, strategy, and risk management, it is expected to fulfill effective management of climate risks and opportunities, providing reliable financial information for stakeholders. Investment amount of the project: Around NT\$350 thousand.
- (3) Science Based Targets initiative (SBTi): To realize carbon neutrality, the Company made carbon reduction approaches through scientific tools, combining carbon reduction goals with climate science and strengthening the corporate's faith in carbon reduction. Investment amount of the project: Around NT\$350 thousand.

4.7.5 Improvements of pure water and wastewater treatment facilities:

- (1) Improvement of adding pump initiator to 300mm wastewater pipes: hydraulic head is too high for some parts of the wastewater pipes, resulting in broken pipes when the pump is initiated. A pump soft starter is planned to be implemented to ensure the wastewater is delivered stably, not affecting manufacturing. Expected investment amount of the project: Around NT\$2500 thousand.
- (2) 200mm resin exchanger (2B3T) renewable wastewater recycling: During the 200mm pure water system pre-handling resin exchanger regeneration, wastewater is produced during the backwashing and rinsing process, and it is treated in the wastewater system. Currently, there are companies demonstrating good performance using 2B3T wastewater regeneration (resin exchanger). The Company is planning to do the recycling likewise to reduce the consumption of water resources. Total investment: NT\$3000 thousand.

4.7.6 Improvements of air pollution treatment facilities:

- (1) Renovation of 200mm steel framework of scrubber: The scrubber has been built for over 25 years. The steel framework and screws of its base and sampling platform have gone rusted.

The Company plans to replace the rusty steel and screws in compliance with safety regulations and to prevent accidents. Total investment: NT\$3000 thousand.

- (2) Addition of 300mm windmill operation platform for scrubber: The current height of the windmill is around 2.4 meters. No platform was set for maintenance. A temporary state is set up for maintenance staff to carry out windfarm maintenance. There are no fences in the surrounding area, and no hook for the safety belt to attach, creating a high risk of falling. The Company plans to build a maintenance platform for the windmill to ensure the safety and convenience of operation. Total investment: NT\$3000 thousand.

4.7.7 Manufacturing process improvements for energy reservation:

- (1) Renewal of 200mm three-time pure water UV light tubes: The three-time UV light tubes (TOC-UV) have operated for over 25 years. The quartz capsules and ballasts have reached the product lifespan. The facilities are designed traditionally, which consumes more electricity. New, efficient facilities have been planned to purchase to reserve more energy and improve safety. Investment amount of the project: Around NT\$6600 thousand.
- (2) Renewal of 200mm cold water generator (#2 machine): The compressor of the replacement cold water generator is fixed-frequency active magnetic type, which can reserve energy and enhance operational stability. The investment amount of the project: Around NT\$40,000 thousand.

4.7.8 Improvement of economic recycling:

- (1) Renewal of 200mm material recycling cleaner: The cleaner has been implemented for over 20 years. If a material malfunction occurs, the renovation might fail. During the renovation, relevant operations need to be suspended, unable to operate continuously. The investment amount of the project: Around NT\$92,000 thousand.

5. Employee Relations

5.1 The Company's employee welfare policies, continuing education, training, retirement systems and implementation status, and the agreement between employees and employers and employees' rights and interests:

5.1.1 Employee benefits: The Company has established the following employee benefits to promote balanced development between work, health and life for all employees:

- (1) An Employee Welfare Committee has been established pursuant to laws including "Employee Welfare Fund Act" and "Organization Regulations on Employee Welfare Committee." Funds are allocated to the Employee Welfare Committee to handle employee benefits including the employee co-op, employee cafeteria, hair salon, laundry room, dining room, library, sports facilities, distribution of bonuses and gifts for annual holidays, birthday gifts, travel allowance, and club activities, such as softball match, seminars, and power walks.
- (2) Procedures for Distribution of Year-end Bonus and Considerations.
- (3) Performance Management Measures: Regulations on granting employee bonuses for working on holidays and overtime are stipulated as prescribed in the Labor Standards Act.
- (4) Salary Management Measures: Regulations on pay granting and salary adjustment for employees.
- (5) Procedures for Survivor or Statutory Benefits for Employees.
- (6) Procedures for Wedding and Funeral Incentives.
- (7) Procedures for Chang Gung Memorial Hospital Discounts for Employees and Family Members.
- (8) Labor insurance and National Health Insurance (NHI).
- (9) Occupational Safety and Health Act and Labor Health Protection Act: Medical centers with doctors and professional nurses have been set up at each facility, and employee health checkup is conducted regularly in

accordance with the law.

- (10) Operating Attire Management Guidelines.
- (11) Dormitory Management Method (for both single employees and those with families).
- (12) Procedures of Incentives for Employees' Shareholding.
- (13) Allowance for departmental funds and the year-end party.
- (14) Legal consultation service.
- (15) Hospitalization consolation, memorial gold medal, and award for senior staff.
- (16) Regulations Governing the Rewards for Proposing Improvements: An IE proposal bonus is set up to encourage employees to find abnormalities at work and to design positive improvement plans. If the plan is adopted, the Company will give a bonus depending on the effectiveness and the duration of the improvement.
- (17) Innovative Platform Management Method: An innovative platform website is established for employees to discuss professional topics. An adequate bonus will be given to those who propose excellent innovative thoughts.

5.1.2 Continuing education system:

- (1) Foreign Language Studies Class Management Method.
- (2) Classes are organized to improve professionalism and management knowledge for operating personnel at each rank.

5.1.3 Training system:

The Company has planned a well-rounded training system for new employees and formulated a positive environment for working and learning in the hope of fostering professional talent who are proactive and possess innovative mind-sets. Concurrently, through the comprehensive training program at each stage throughout an employee's career, every employee can become outstanding talent with both professional and management expertise through gradual development training to realize and exceed themselves. The comprehensive training includes: college and university management training,

job-related basic training, professional competency training, management training, and mid-level and senior management training, which are implemented along with online instruction, job rotation, external training opportunities, and instruction from external experts to provide a work environment that fosters continuous learning and development. The below training system has been established:

- (1) Training Management Procedures.
- (2) Online Knowledge Database Management Procedures.
- (3) Fresh Graduate Training Method.
- (4) External training.
- (5) Mid-level and Senior Manager Development Procedures.

5.1.4 Retirement system:

(1) Application of retirement:

Employees who fulfill one of the following conditions may apply for retirement:

- a. Having served FST for more than 15 years and are at least 55 years old.
- b. Having served FST for more than 25 years.
- c. Having served FST for more than 10 years and are at least 60 years old.

(2) Mandatory retirement:

Employees who fulfill one of the following conditions will be required to retire:

- a. Employees who are 65 years of age; however, ranks of Senior Vice President (inclusive) or above may extend the age of retirement to 70 years old.
- b. Those who are either mentally or physically challenged and incapable of performing job-related duties.

(3) Pension allocations:

Pension for retiring personnel will be distributed based on the following rules:

- a. Years of work experience prior to July 31, 1984 will be calculated pursuant to the regulations in the Regulations Governing the Retirement of the Factory Workers of Taiwan Province, and calculated based on the employee's

average salaries in the three months before retirement. Years of work experience after August 1, 1984 will be calculated pursuant to Article 55 of the Labor Standards Act, and calculated based on the employee's average salaries in the six months before retirement. But cumulatively, the maximum years will be 45.

b. In case employees are required to retire due to physical or mental challenge developed from performing duties and are no longer capable of fulfilling job-related duties, in addition to the calculations in the preceding paragraph, an additional 20% of pension will also be given.

(4) The new Labor Pension Act was enacted on July 1, 2005. If employees choose the older scheme, his/her retirement will be handled in the preceding retirement system. For those who choose the new scheme, the Company will allocate 6% of his/her wages to his/her individual pension account in each month.

(5) Employee conduct or business ethical principle: To set clear standards on the rights and obligations of both employers and employees and to protect the workplace discipline, the Company has established Employees Work Rules in accordance with the law. The Rules have been publicly disclosed after verification from the competent authority, providing a tool of compliance for the Company employees for management purpose. Clear regulations are stipulated in the Rules on the employment and transfer of personnel, working hours, salaries, rules on discipline, incentive and disincentive rules, dismissal, severance, retirement, training and evaluation, compensations for occupational hazards, and benefits.

(6) Work environment and protection for physical safety of workers:

a. The Industrial Safety and Health Management Rules have been established to ensure compliance of the safety and health management tasks in each department and to implement the safety and health management system in practice to prevent safety incidents, as well as to establish

and maintain a safe and healthy work environment to achieve the safety management goal of "zero incident" to protect the safety and health of operating personnel and neighboring communities. Moreover, the Rules also aim to safeguard Company equipment and assets so that each process can run smoothly, thereby enhancing overall business performance.

- b. The applicable scope includes the safety and health management organization system and responsibilities of various departments, establishment of safety and health protection facilities, formulation of standards for safety operation, regular safety and health automatic inspection and review, personnel safety and health and fire safety training, safety and health performance evaluation and management operations, emergency response plan, disaster simulation drills and accident handling operations.
- c. We regularly conduct safety and health educational training and advocacy, ensuring that all personnel are subjected to adequate and necessary training on top of being equipped with the capabilities required to perform their duties. Each department shall post the Company's Safety and Health Policy and the Facility Safety and Health Inspection Policy at clearly visible locations.
- d. Regularly conduct employee health checkup.

5.1.5 Implementations of employee benefits, continuing education, training, and the retirement system: Excellent.

5.1.6 Collective bargaining:

- (1) We participate in the union representative conference and management/supervisor conference, and regularly convene labor management conferences and employee seminars to establish a collective bargaining mechanism.
- (2) The employee grievance system has been established to improve employee-employer relations and gender equality at work. The Company regularly convenes conferences with supervisors from each rank and publishes a corporate

magazine in each quarter. Employees can also express their opinions through the Employee Mailbox or opinions hotline.

- (3) Employees Work Rules and Human Resources Management Rules are established to set clear rules on rights and obligations for both employers and employees and management matters so that employees may clearly understand and protect their rights.
- (4) To maintain the safety of personnel, the Company regularly conducts employee health checkup, designates worker safety and health personnel, and establishes various worker safety and health management regulations in accordance with Occupational Safety and Health Act to prevent incidents and disasters.

5.1.7 Measures to ensure employees' rights: Excellent.

5.2 Losses incurred from labor disputes, estimated losses, and response measures and costs for likely current and future disputes: None.

6. Security management of information and communication

6.1 Structure of security risks of information and communication, security strategies of information and communication, concrete solutions, and resources invested:

Information Security Management ensures the security and stability of the information network, prevents information system abnormalities and computer data damage from affecting the Company's business. The Company has set up specific information security management measures in the "Measures for the Management of Corporate Information Network", which specifies the management standards of information system, network, personal computers, and safety code of employees on the Internet and mail to ensure the information security of the enterprise. The relevant information and communication security risk management structure, information security strategies, specific solution, and resources invested are explained as below:

6.1.1 Structure of security risks of information and communication:

The Company appoints supervisors to act as representatives of information security management, supervise the implementation of the Company's information security management business, and regularly holds cross-departmental meetings for information and communication security promotion teams to review the implementation and effectiveness of information security control measures and coordinate the promotion of information security management business; At the same time, in response to the information security management operations promoted by the Information Security Division of the Information Security Department, the Company integrates the execution of information security business, ensures execution consistency, and coordinates the allocation of corporate resources.

6.1.2 Information security policy is as follows:

- a. Comply with government laws and regulations, and popularize awareness of information security.
- b. Pay attention to risk management and protect data security.
- c. All the employees must participate, and we pursue continuous improvement.

6.1.3 Security strategies of information and communication:

- a. Prevent malicious attacks from external networks by adopting a multi-level in-depth defense architecture, building firewalls and IPS, identifying malicious websites, and carrying out advanced persistent threat defense (APT) .
- b. Staff access, email and personal information/machine sensitive data leakage (DLP) control mechanisms are in place to prevent improper disclosure of personal information or improper leakage of sensitive data. Internal systems are also prevented from being implanted with malicious programs.
- c. Regularly change passwords and activate password complexity settings to strengthen the identity verification of system.
- d. Install anti-virus software on computers, update the virus code and safety patches immediately, establish safety access principles, regulate access to USB devices and strengthen end-user protection capabilities.
- e. System log reading analysis, real-time warning for abnormality and emergency response handling to avoid threat expansion and risk expansion.
- f. Information infrastructures such as data rooms are equipped with access control and CCTV systems. Periodic simulation drills for backup systems, UPS power supply systems and fire facilities are conducted to enhance physical security.
- g. Conduct information security education and testing for employees every year to strengthen employees' awareness of cyber security risks.
- h. Review the security measures and regulations annually, pay attention to the security issues and make the response plan to ensure its appropriateness and effectiveness.

6.1.4 Information Security Training and Promotion in 2021:

- a. Eight training courses on information security were held for all employees.
- b. Throughout the year, the Company sent 1316 e-mails in two batches to employees regarding social engineering exercises as a promotion.

6.1.5 Resources invested in security management of information and communication:

- a. A dedicated information security unit will be set up in the near future.
- b. Completion of the second phase VPN certification and the establishment of CyberArk system in succession, with a focus on managing and recording the registration and operation of the special account for important equipment such as servers and servers.
- c. The intranet firewalls were purchased and the server operating safety areas were planned and established.
- d. A third-party Red Team Attack Prevention Exercise is planned to be held in 2022 to examine the effectiveness of information security management controls, and to improve and strengthen the defects found in the drill; An annual exercise will be conducted by a professional information security supplier every year thereafter.
- e. Staff information security awareness training and implementation.

6.2 Any loss, possible impact, and response measures resulting from a major information security incident, if it cannot be reasonably estimated, the reason shall be stated on why it cannot be reasonably estimated:

No material information security incident was found in the most recent year up to the publication date of this annual report.

7.Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Technology licensing and assistance contract	SUMCO TECHXIV Corporation	2016/01/01~ Termination of the contract by either party.	Licensed product is 200mm wafer	None
Technology licensing and assistance contract	SUMCO TECHXIV Corporation	2016/01/01~ Termination of the contract by either party.	Licensed product is 300mm wafer	None
Supply and Purchase Agreement	SUMCO TECHXIV Corporation	Signed on December 26, 1995 - SUMCO TECHXIV remains in the company's shareholders.	SUMCO TECHXIV purchased the silicon wafer from FST. and became a long-term buyer of FST	None
SUMCO Technology License and Assistance Architecture Agreement	SUMCO Corporation	2014/09/01~ Termination of the contract by either party.	Licensed product is 300mm wafer	None
NO.1~NO.53 technology subcontract	SUMCO Corporation	2014/09/01~ Termination of the contract by either party.	Licensed product is 300mm wafer	None

VI. Financial Information

1. Five-Year Financial Summary

1.1 Condensed Balance Sheet- Based on Consolidated Financial Statement Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial information for the last five fiscal years (Note 1)					As of Mar. 31, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current assets		12,226,830	13,577,191	11,713,942	13,275,572	14,458,168	15,400,687
Property, plant and equipment (Note 2)		11,812,997	10,892,981	10,871,889	9,548,512	8,880,516	8,900,565
Intangible assets		219	-	-	6,564	7,963	7,560
Other assets (Note 2)		194,921	302,416	230,283	270,660	374,798	723,894
Total assets		24,234,967	24,772,588	22,816,114	23,101,308	23,721,445	25,032,706
Current liabilities	Before distribution	2,152,583	2,565,495	1,947,652	2,269,905	2,409,619	2,161,148
	After distribution	3,765,935	6,056,140	3,305,057	3,103,712	2,409,619	2,161,148
Non-current liabilities		410,376	433,954	473,693	485,375	459,070	1,026,345
Total liabilities	Before distribution	2,562,959	2,999,449	2,421,345	2,755,280	2,868,689	3,187,493
	After distribution	4,176,311	6,490,094	3,778,750	3,589,087	2,868,689	3,187,493
Shareholder's equity attributable to parent company		-	-	-	-	-	-
Capital stock		7,756,966	3,878,483	3,878,483	3,878,483	3,878,483	3,878,483
Capital reserve		5,739,082	5,739,151	5,739,217	5,739,235	5,739,249	5,739,249
Retained earnings	Before distribution	8,164,521	12,128,438	10,750,979	10,708,095	11,264,299	12,266,286
	After distribution	6,551,169	8,637,793	9,393,574	9,874,288	11,264,299	12,266,286
Other equity interest		11,439	27,067	26,090	20,215	-29,275	-38,805
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	21,672,008	21,773,139	20,394,769	20,346,028	20,852,756	21,845,213
	After distribution	20,058,656	18,282,494	19,037,364	19,512,221	20,852,756	21,845,213

Note 1 : It is required to specify the fiscal year that has not been audited by a CPA.

Note 2 : If in the current year there is revaluation of assets, it is required to specify the revaluation date and the revaluation value.

Note 3 : The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report : The financial information is audited by a CPA, except the information of 2022 Q1 reviewed by a CPA.

Note 4 : For the financial data of after distribution, please fill out in accordance with the

resolutions approved by shareholders' Meeting.

Note 5 : For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

1.2 Condensed Balance Sheet– Based on the Parent Company only Financial Statement

Unit : NT\$ thousands

Item	Year	Financial information for the last five fiscal years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		12,958,824	14,205,391	12,246,533	13,671,372	14,719,088
Property, plant and equipment (Note 2)		10,813,960	9,949,584	10,036,408	8,828,182	8,332,307
Intangible assets		219	-	-	6,564	7,963
Other assets (Note 2)		482,311	633,954	588,394	628,185	726,371
Total assets		24,255,314	24,788,929	22,871,335	23,134,303	23,785,729
Current liabilities	Before distribution	2,172,930	2,581,836	2,002,872	2,313,978	2,480,457
	After distribution	3,786,282	6,072,481	3,360,277	3,147,785	2,480,457
Non-current liabilities		410,376	433,954	473,694	474,297	452,516
Total liabilities	Before distribution	2,583,306	3,015,790	2,476,566	2,788,275	2,932,973
	After distribution	4,196,658	6,506,435	3,833,971	3,622,082	2,932,973
Shareholder's equity attributable to parent company		-	-	-	-	-
Capital stock		7,756,966	3,878,483	3,878,483	3,878,483	3,878,483
Capital reserve		5,739,082	5,739,151	5,739,217	5,739,235	5,739,249
Retained earnings	Before distribution	8,164,521	12,128,438	10,750,979	10,708,095	11,264,299
	After distribution	6,551,169	8,637,793	9,393,574	9,874,288	11,264,299
Other equity interest		11,439	27,067	26,090	20,215	-29,275
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	21,672,008	21,773,139	20,394,769	20,346,028	20,852,756
	After distribution	20,058,656	18,282,494	19,037,364	19,512,221	20,852,756

Note 1 : It is required to specify the fiscal year that has not been audited by a CPA.

Note 2 : The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report : The financial information is audited by CPAs.

Note 3 : For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

1.3 Condensed Comprehensive Income- Based on Consolidated

Financial Statement

Unit : NT\$ thousands

Year Item	Financial information for the last five fiscal years (Note 1)					2022/1/1~ 2022/3/31 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	12,713,025	16,358,126	11,636,040	11,934,697	12,166,313	3,738,404
Gross profit	3,394,509	6,963,797	3,257,055	2,414,007	2,552,473	1,357,137
Gross profit from operations	2,749,810	6,179,888	2,619,363	1,837,644	1,816,019	1,135,956
Non-operating income and expense	-134,618	227,894	49,595	-269,667	-124,586	118,770
Income before tax	2,615,192	6,407,782	2,668,958	1,567,977	1,691,433	1,254,726
Income from operations of continued segments - after tax	2,242,774	5,580,459	2,125,798	1,307,911	1,410,770	1,001,987
Income from discontinued operations	-	-	-	-	-	-
Net income (Loss)	2,242,774	5,580,459	2,125,798	1,307,911	1,410,770	1,001,987
Total other comprehensive income (net of income tax)	-52,292	12,536	-13,504	799	-70,182	-9,530
Total comprehensive income	2,190,482	5,592,995	2,112,294	1,308,710	1,340,588	992,457
Net income attributable to parent company's shareholders	-	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to parent company's shareholders	-	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	2.89	9.41	5.48	3.37	3.64	2.58

Note 1 : It is required to specify the fiscal year that has not been audited by a CPA.

Note 2 : The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report : The financial information is audited by CPAs, except the information of Q1 2022 reviewed by CPAs.

Note 3 : The net loss from discontinued operations is an amount net of income tax.

Note 4 : For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

1.4 Condensed Comprehensive Income Statement– Based on the Parent Company only Financial Statement

Unit : NT\$ thousands

Item \ Year	Financial information for the past five fiscal years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	12,713,025	16,358,126	11,636,040	11,934,697	12,166,313
Gross profit	3,327,954	6,895,833	3,200,893	2,360,149	2,488,668
Gross profit from operations	2,688,555	6,118,153	2,569,162	1,789,205	1,757,747
Non-operating income and expense	-90,512	273,173	91,975	-244,820	-77,657
Income before tax	2,598,043	6,391,326	2,661,137	1,544,385	1,680,090
Income from operations of continued segments - after tax	2,242,774	5,580,459	2,125,798	1,307,911	1,410,770
Income from discontinued operations	-	-	-		
Net income (Loss)	2,242,774	5,580,459	2,125,798	1,307,911	1,410,770
Total other comprehensive income (net of tax)	-52,292	12,536	-13,504	799	-70,182
Total comprehensive income	2,190,482	5,592,995	2,112,294	1,308,710	1,340,588
Net income attributable to parent company's shareholders	-	-	-	-	-
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to parent company's shareholders	-	-	-	-	-
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	2.89	9.41	5.48	3.37	3.64

Note 1 : It is required to specify the fiscal year that has not been audited by a CPA.

Note 2 : The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report : The financial information is audited by CPAs, except the information of Q1 2022 reviewed by CPAs.

Note 3 : The net loss from discontinued operations is an amount net of income tax.

Note 4 : For those who have been notified by the competent authorities to revise or recomposed their financial data, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

1.5 Matters of material significance which affected the comparability of the above-mentioned condensed financial statements : None.

1.6 The Name of the Certified Public Accountant and the Auditor's opinion

1.6.1 The name of the certified public accountant for the last five fiscal years

Year	2021	2020	2019	2018	2017
Name	Ching Ting Yang Wen Yuan Chuang	Wen Yuan Chuang Shui En Liu	Shui En Liu Tza Li Gung	Shui En Liu Tza Li Gung	Shui En Liu Tza Li Gung

1.6.2 The auditing opinions of the certified public accountants in the past five years are unqualified.

1.6.3 According to the job adjustment of Deloitte & Touche, the CPAs of the Company have been changed from Ching Ting Yang and Tza Li Gung to Shui En Liu and Tza Li Gung since the first quarter of 2017.

1.6.4 According to the job adjustment of Deloitte & Touche, the CPAs of the Company have been changed from Shui En Liu and Tza Li Gung to Wen Yuan Chuang and Shui En Liu since the first quarter of 2020.

1.6.5 According to the job adjustment of Deloitte & Touche, the CPAs of the Company have been changed from Wen Yuan Chuang and Shui En Liu to Ching Ting Yang and Wen Yuan Chuang since the first quarter of 2021.

2. Five-Year Financial Analysis

2.1 Consolidated Financial Analysis – Consolidated Financial Statement Based on IFRS

Year (Note 1) Item (Note 3)		Financial analysis for the last five fiscal years					As of Mar. 31, 2022(Note 2)	
		2017	2018	2019	2020	2021		
Financial structure (%)	Debt ratio	10.58	12.11	10.61	11.93	12.09	12.73	
	Ratio of long term capital to property, plant, and equipment	186.93	203.87	191.95	218.16	239.98	256.97	
Solvency (%)	Current ratio	568.01	529.22	601.44	584.85	600.02	712.62	
	Quick ratio	453.16	414.60	443.71	448.51	474.88	569.42	
	Interest coverage ratio	6,847.05	12,998.53	2,557.47	1,494.31	4,283.11	5,317.64	
Operating ability	Accounts Receivable turnover (times)	6.81	6.56	4.82	6.04	5.93	6.16	
	Average collection period	54	56	76	60	62	59	
	Inventory turnover (times)	4.23	3.68	2.97	3.25	3.28	3.27	
	Accounts payable turnover (times)	15.99	15.22	13.90	18.28	18.00	17.93	
	Average days in sales	86	99	123	112	111	112	
	Property, plant, and property turnover (times)	1.02	1.44	1.07	1.17	1.32	1.68	
	Total asset turnover (times)	0.55	0.67	0.49	0.52	0.52	0.61	
Profitability	Return on total assets (%)	9.76	22.78	8.94	5.70	6.03	16.44	
	Return on stockholders' equity (%)	10.76	25.69	10.08	6.42	6.85	18.77	
	Ratio to issued capital (%)	Operating income	35.45	159.34	67.54	47.38	46.82	117.15
		Pre-tax income	33.71	165.21	68.81	40.43	43.61	129.40
	Profit ratio (%)	17.64	34.11	18.27	10.96	11.60	26.80	

	Earnings per share (NT\$)	2.89	9.41	5.48	3.37	3.64	2.58
Cash flow	Cash flow ratio (%)	186.15	280.67	224.04	157.41	156.60	102.97
	Cash flow adequacy ratio (%)	265.96	228.44	152.51	156.40	152.70	122.36
	Cash reinvestment ratio (%)	7.58	11.67	1.79	4.35	5.59	4.07
Leverage	Operating leverage	2.55	1.75	2.60	3.43	3.47	2.00
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

(1) The decrease in interest coverage ratio was mainly due to the decrease in interest expense.

(2) The increase in cash reinvestment ratio was mainly due to the decrease in cash dividend payment.

Note 1 : It is required to specify the fiscal year that has not been audited by the certified public accountant.

Note 2 : The listed companies or OTC companies shall disclose the financial information that audited or reviewed by a CPA as of the date of publication of the annual report.

Note 3 : The following equations should be included in the end of the above table:

1. Financial structure

(1) Debt ratio = Total liabilities/total assets.

(2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + non-current liabilities)/net property, plant, and equipment

2. Solvency

(1) Current ratio = Current assets/current liabilities

(2) Quick ratio = (Current assets - inventory - prepaid expenses)/current liabilities

(3) Times Interest Earned = Net income before tax and interest expense/current interest expense

3. Operating ability

(1) Accounts Receivable (including account receivable and note receivable from operating) turnover = Net sales/average Receivables (including account receivable and note receivable from operating) balance

(2) Average collection period = 365 days/ accounts receivable turnover

(3) Inventory turnover(times) = Cost of goods sold/average inventory

(4) Accounts Payable (including Account payable and Note payable from operating) turnover = Cost of goods sold/average accounts payable (including Account payable and Note payable from operating)

(5) Average inventory turnover days = 365 days/ inventory turnover

(6) Property, plant, and equipment turnover (times) = Net sales/ average net average property, plant, and equipment

(7) Total asset turnover = Net sales/average total assets

4. Profitability

(1) Return on total assets = [net income + interest expense x (1-tax ratio)]/average total assets

(2) Return on shareholder's equity = Net income/average total shareholder's equity

(3) Profit margin = Net income/ net sales

(4) Earnings per Share = (Net income attributable to parent company's shareholders - preferred stock dividend)/ weighted average number of shares issued (Note 4)

5. Cash flow

(1) Cash flow ratio = Cash flow from operating activities/current liabilities

(2) Net cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends

(3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends)/ (gross property, plant, and equipment + long-term investments + other non-current assets + working capital) (Note 5)

6. Leverage

(1) Operating leverage = (Net operating income - variable operating cost and expense)/operating income (Note 6)

(2) Financial leverage = Operating income/ (operating income - interest expenses)

Note 4 : The calculation of earnings per share referred to above should be with the following matters included for consideration:

1.It is based on the weighted average outstanding number of common stock shares rather than the issued shares at the end of year.

2.Capital increased by cash or treasury stock transaction should be take into account when the calculating the circulation period of the weighted average outstanding shares

3.Where there is a capitalization from earnings or capital reserve, when calculating earnings per share for the prior years and every interim, it should be retroactively adjusted by proportional capitalization without considering the issuance period of the capitalization.

4.If the preferred stock is non-convertible cumulative preferred stock, the its dividends (whether distributed or

not) should be deducted from net income, or added to the net loss. If the preferred shares are non-cumulative, when there is net income, preferred stock dividends should be deducted from net income; when there is net loss, no adjustment is needed.

Note 5 : The cash flow analysis should be with the following matters included for consideration:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities on the statement of cash flow.
2. Capital expenditures refer to the annual cash outflow of capital investment.
3. Inventory additions are included for calculation only when the balance at the end is greater than the balance at the beginning. If inventories are decreased at the end of year, it is counted as zero.
4. Cash dividends include cash dividends of common stock and preferred stock.
5. Gross property, plant, and equipment meant for the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 6 : The issuer shall have the operating costs and operating expenses classified as fixed and variable by the nature. If it involves estimates or subjective judgments, it should pay attention to its rationality and consistency.

Note 7 : If the Company's stock is not denominated or the denomination is not NT\$10, the calculation of ration with the paid-in capital should be calculated based on the equity attributable to the patent company's shareholders in the balance sheet.

2.2 Financial Analysis– Based on the Parent Company only Financial Statement

Year (Note 1) Item (Note 3)		Financial analysis for the last five fiscal years					
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt ratio	10.65	12.17	10.83	12.05	12.33	
	Ratio of long term capital to property, plant, and equipment	204.20	223.20	207.93	235.84	255.69	
Solvency (%)	Current ratio	596.38	550.21	611.45	590.82	593.40	
	Quick ratio	487.46	442.23	465.56	464.06	476.70	
	Interest coverage ratio	7,319.43	13,628.56	3,553.92	1,826.51	6,802.98	
Operating performance	Accounts Receivable turnover (times)	6.81	6.56	4.82	6.04	5.93	
	Average collection period	54	56	76	60	62	
	Inventory turnover (times)	4.36	3.84	3.10	3.40	3.44	
	Accounts payable turnover (times)	14.05	13.39	11.84	14.82	14.86	
	Average days in sales	84	95	118	107	106	
	Property, plant, and property turnover (times)	1.11	1.58	1.16	1.27	1.42	
	Total asset turnover (times)	0.55	0.67	0.49	0.52	0.52	
Profitability	Return on total assets (%)	9.75	22.76	8.92	5.69	6.01	
	Return on stockholders' equity (%)	10.76	25.69	10.08	6.42	6.85	
	Ratio to issued capital (%)	Operating income	34.66	157.75	66.24	46.13	45.32
		Pre-tax income	33.49	164.79	68.61	39.82	43.32

	Profit margin (%)	17.64	34.11	18.27	10.96	11.60
	Earnings Per Share (NT\$)	2.89	9.41	5.48	3.37	3.64
Cash flow	Cash flow ratio (%)	182.35	274.76	215.15	151.71	145.87
	Cash flow adequacy ratio (%)	340.81	268.51	168.40	163.08	150.72
	Cash reinvestment ratio (%)	7.57	11.61	1.71	4.31	5.39
Leverage	Operating leverage	2.60	1.77	2.67	3.54	3.60
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Note 1 : The following equations should be included in the end of the above table:

1. Financial structure

(1) Debt ratio = Total liabilities/total assets.

(2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + non-current liabilities)/net property, plant, and equipment

2. Solvency

(1) Current ratio = Current assets/current liabilities

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3. Operating ability

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(7) Total asset turnover = Net sales/average total assets

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(1) Return on total assets = [net income + interest expense x (1-tax ratio)]/average total assets

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(3) Profit margin = Net income/ net sales

(4) Earnings per Share = (Net income attributable to parent company's shareholders - preferred stock dividend)/ weighted average number of shares issued (Note 4)

5. Cash flow

(1) Cash flow ratio = Cash flow from operating activities/current liabilities

(2) Net cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends

(3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends)/ (gross property, plant, and equipment + long-term investments + other non-current assets + working capital) (Note 5)

6. Leverage

(1) Operating leverage = (Net operating income - variable operating cost and expense)/operating income (Note 6)

(2) Financial leverage = Operating income/ (operating income - interest expenses)

Note 2 : The calculation of earnings per share referred to above should be with the following matters included for consideration:

5.It is based on the weighted average outstanding number of common stock shares rather than the issued shares at the end of year.

6.Capital increased by cash or treasury stock transaction should be take into account when the calculating the circulation period of the weighted average outstanding shares

7.Where there is a capitalization from earnings or capital reserve, when calculating earnings per share for the prior years and every interim, it should be retroactively adjusted by proportional capitalization without considering the issuance period of the capitalization.

8.If the preferred stock is non-convertible cumulative preferred stock, the its dividends (whether distributed or not) should be deducted from net income, or added to the net loss. If the preferred shares are non-cumulative, when there is net income, preferred stock dividends should be deducted from net income; when there is net loss, no adjustment is needed.

Note 3 : The cash flow analysis should be with the following matters included for consideration:

6. Net cash flow from operating activities refers to the net cash inflow from operating activities on the statement of cash flow.
 7. Capital expenditures refer to the annual cash outflow of capital investment.
 8. Inventory additions are included for calculation only when the balance at the end is greater than the balance at the beginning. If inventories are decreased at the end of year, it is counted as zero.
 9. Cash dividends include cash dividends of common stock and preferred stock.
 10. Gross property, plant, and equipment meant for the total amount of property, plant, and equipment before deducting the accumulated depreciation.
- Note 4 : The issuer shall have the operating costs and operating expenses classified as fixed and variable by the nature. If it involves estimates or subjective judgments, it should pay attention to its rationality and consistency.
- Note 5 : If the Company's stock is not denominated or the denomination is not NT\$10, the calculation of ration with the paid-in capital should be calculated based on the equity attributable to the patent company's shareholders in the balance sheet.

3. Supervisors' /Audit Committee's Report for the Most Recent Year

3.1 Supervisors' Committee's Report:

The company set up an audit committee to replace the supervisor on June 21, 2018.

3.2 Audit Committee's Review Report:

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, including Consolidated and Individual Financial Statement, and Proposal for Profits Distribution. The CPA firm of Deloitte & Touche was retained to audit Formosa Sumco Technology Corporation's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Formosa Sumco Technology Corporation. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

Formosa Sumco Technology Corporation

Chairman of the Audit Committee : Zhi-Gang Wang

March 4, 2022

4. Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report :
Refer to the pages 198 to 259.
5. Based on the Parent Company only Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report :
Refer to the pages 260 to 327.
6. The Financial Difficulties of the Company and its Affiliated Companies : None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status

The reason, impact and the Company's plan about the significant change of assets, liabilities and shareholders' equity in the most recent two fiscal years. Unit : NT\$ thousands

Item	Year	2021	2020	Difference	
				Amount	%
Current Assets		14,458,168	13,275,572	1,182,596	8.91
Available-for-sale Financial Assets - Non-current		311	324	-13	-4.01
Fixed Assets		8,880,516	9,548,512	-667,996	-7.00
Intangible assets		7,963	6,564	1,399	2.13
Other Non-current Assets		374,487	270,336	104,151	38.52
Total Assets		23,721,445	23,101,308	620,137	2.68
Current Liabilities		2,409,619	2,269,905	139,714	6.16
Long-term Liabilities		-	-	-	-
Other Non-current Liabilities		459,070	485,375	-26,305	-5.42
Total Liabilities		2,868,689	2,755,280	113,409	4.12
Capital Stock		3,878,483	3,878,483	0	0
Capital Reserve		5,739,249	5,739,235	14	0
Retained Earnings		11,264,299	10,708,095	556,204	5.19
Other Equity Interest		-29,275	20,215	-49,490	-244.82
Total Stockholders' Equity		20,852,756	20,346,028	506,728	2.49

Explanation:

1. Other non-current assets increased by 38.12%: Mainly due to the increase of prepaid equipment payment and deferred tax assets by 76,025 thousand and 42,033 thousand.
2. Other Equity Interest decreased by 244.82%: Mainly due to the decrease of exchange differences on translating the financial statements of foreign operations by 49,477 thousand.

2. Analysis of Financial Performance

The annual report shall list the main reasons for any material change in operating revenues, operating income, or income before tax in the most recent two fiscal years, provide a sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response.

Unit : NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Gross Sales	12,271,461	12,052,296	219,165	1.82
Less: Sales Returns	13,140	4,477	8,663	193.50
Sales Allowances	92,008	113,122	-21,114	-18.66
Net Sales	12,166,313	11,934,697	231,616	1.94
Cost of Sales	9,613,840	9,520,690	93,150	0.98
Gross Profit	2,552,473	2,414,007	138,466	5.74
Operating Expenses	736,454	576,363	160,091	27.78
Operating Income	1,816,019	1,837,644	-21,625	-1.18
Non-operating Income and Gains	38,120	64,027	-25,907	-40.46
Non-operating Expenses and Losses	162,706	333,694	-170,988	-51.24
Income Before Tax	1,691,433	1,567,977	123,456	7.87
Less: Income tax expense	280,663	260,066	20,597	7.92
Less: Cumulative Effect of Change in Accounting Principles	-	-	-	-
Net income	1,410,770	1,307,911	102,859	7.86

Explanation :

1. Operating Expenses increased by 27.78% : It is due to the increased in export expenses and recurring royalty fees.
2. Non-operating Income and Gains decreased by 40.46% : It is due to the decreased in interest income.
3. Non-operating Expenses and Losses decreased by 51.24% : Mainly due to the increase in net foreign exchange loss.

3. Analysis of Cash Flow

Describe and analyze any cash flow changes in the most recent fiscal year, describe corrective measures to be taken in response to illiquidity, and provide a liquidity analysis for the coming year.

3.1 Cash flow analysis for the current year :

Unit : NT\$ thousands

Cash, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Remedies of Cash Deficit	
				Investment Plans	Financing Plans
7,860,058	3,773,500	2,350,471	9,283,087	-	-

(1) Operating activities : The current year's net cash inflow from operating activities is NT\$3,773,500 thousand, which is mainly due to net cash inflow generated from operations of NT\$1,691,433 thousand and depreciation expense not affecting cash outflow of 2,054,465 thousand.

(2) Investing activities : The current year's net cash outflow from investing activities is NT\$1,454,048 thousand, which is mainly due to acquisition of property, plant and equipment of NT\$1,751,528 thousand.

(3) Financing activities : The current year's net cash outflow from financing activities is NT\$896,425 thousand, which is mainly due to cash dividends paid of NT\$833,807 thousand.

(4) Exchange rate changes affected the net cash inflow of NT\$ 2 thousand.

3.2 Remedy for cash deficit and liquidity analysis :

(1) There was no cash deficit in current year.

(2)Liquidity analysis in the most recent two fiscal years :

Item \ Year	2021	2020	Variation (%)
Cash flow ratio	156.60%	157.41%	-0.51%
Cash flow adequacy ratio	152.70%	156.40%	-2.37%
Cash reinvestment ratio	5.59%	4.35%	28.51%

Explanation : The increase in the cash reinvestment ratio was mainly due to the decrease in dividend payments.

3.3 Liquidity analysis for the coming year

Unit : NT\$ thousands

Estimated Cash, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Estimated Cash Surplus (Deficit)	Remedies of Cash Deficit	
				Investment Plans	Financing Plans
9,283,087	20,117,000	22,697,000	6,703,087	-	-

Explanation : The estimated cash at 2022 is surplus.

4. The Effect upon Financial Operations of Any Major Capital Expenditures in the Most Recent Years

Major Capital Expenditure Items and Source of Capital :

Unit : NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure		
				2020	2021	2022
Factory expansion	Working Capital	2023.12.31	28,260,000	-	280,940	14,867,880

5. Investment Policy in the Last Year: None.

6. Risks

6.1 The impact of Interest rate, exchange rate, and inflation rate changes on the company's revenue, as well as corresponding actions:

6.1.1 Interest Rate:

In terms of long-term liabilities under floating interest rate basis (corporate bond included), the Company will carefully assess financial market conditions and consider the implementation of interest rate swap when the interest rate is relatively low to avoid interest rate fluctuation risks. The company strives to make sure the undertaking interest rate is below the estimated cost of capital of investment plans.

6.1.2 Exchange Rate Fluctuation:

Insufficient foreign exchange funds in daily operations are addressed by making spot or forward foreign exchange purchases when the exchange rate is favorable. Long-term foreign exchange liabilities are addressed by implementing long-term forward foreign exchange contracts or exchange-for-exchange contracts when the exchange rate is relatively low to minimize the impact of exchange rates on profitability.

6.1.3 Inflation:

According to Directorate of Budget, Accounting, and Statistics, Executive Yuan, the annual growth rate of consumer prices in 2021 was 1.96%, and the annual growth rate of core consumer prices was 1.33%. The inflation risk was low and had no significant influence on the Company's profitability.

6.2 Policies on high risk, highly leveraged investments, loans to other parties, endorsements, and derivative trading policies,

main reasons for profits or losses, and future response measures:

6.2.1 Investment under High Risks and Leverage:

The company mainly invests in the petrochemical industry. The petrochemical industry is a mature and stable industry with low risks. The company has always maintained stable operations and a sound financial structure. It does not engage in any high leverage investment.

6.2.2 Lending of Capital:

In principle, the company only issues loans to affiliated companies. The amount is in accordance with Article 15 of the Company Law and granted with the approval of the Board of Directors. Since the issuance of loans are mostly for short-term funding purposes, and the borrowers are subsidiaries and affiliated companies with strong financial operations, no bad debt loss has occurred.

6.2.3 Endorsement:

The company only endorses and guarantees subsidiaries or affiliated companies. The endorsement is mostly for funding and import taxes. As affiliated companies have sound financial conditions and robust operations, there has never been losses due to endorsement.

6.2.4 Derivative Product Transactions:

The Company's various derivative commodity transactions are for the purpose of avoiding market risks caused by fluctuations in exchange rates and interest rates instead of arbitrage and speculation. Any of the implementation of derivative product transactions is based on not only relevant regulations and

International Financial Reporting Standards (IFRS) promulgated by the competent authority, but also “Procedures for Derivatives Transaction Processing” and the “Foreign Exchange Trading and Risk Management Measures” defined by the Company.

6.3 Future R&D projects and R&D expenditure to be invested:

Category	Expected R&D Investments (in NT\$1,000)	Explanation
R&D of process improvement	53,486	Expected research and development projects: 1. Equipment automation R&D. 2. Introduction of AI.
Quality improvement R&D	5,273	Expected research and development projects: 1. R&D of high-spec products.
Equipment improvement R&D	1,071,652	Expected research and development projects: 1. R&D to overcome processing bottlenecks. 2. Renewal of material recycling cleaner.

6.4 Changes to local and overseas policies and laws that impact the company’s financial operations and response measures:

The company constantly pays close attention to domestic and overseas political situation, major policy implementation, and legal changes, and arranges for related personnel to receive professional training as needed. Important decrees changes related to the financial operations of the company from 2021 to February 28, 2022 are as follows:

6.4.1 The amendments to the Management Guidelines of Net Income Identification, Utilization, and Monitoring in the Power Generation Industry were made on July 12, 2021, with MOEA Letter No. 11004602750. Due to the renewable energy development and the demands of

power generation industry, the application scale for the power generation companies to allocate income to renewable energy investment was expanded. Establishing power storage facilities and investing/merging domestic renewable energy power generation facilities were included in the application scale, which didn't make material impacts on the Company.

6.4.2 The proposal of amending the Climate Change Response Regulations was made by the Environmental Protection Agency on October 21, 2021. The amendments cover The Company will continue to monitor the progress of the law amendments and act accordingly.

6.5 Effects of changes in technology and industry on the company's financial operations, and related response measures:

The company closely maintains positive communications and engagements with customers, and maintains positive interactive relations with domestic professional research institutions, allowing the company to seize changes in the industry and future technological developments at all times. Moreover, the parent company owns proprietary and in-house R&D competencies and both parties have signed technical contracts, allowing the company to stay aligned with the parent company's advanced technologies. Furthermore, the company's technical personnel are continuously improving our processing competency, and we are confident that we can efficiently lead our industry counterparts in Taiwan in responding to new processing technologies and market needs, further enhancing the company's competitive strengths. In the future, we can continue to pay close attention to trends and movements in the semiconductor industry to respond to evolution and changes in related industries. Therefore, technological and industry changes should not pose material

effects to the company's financing and business.

6.6 The impacts of changes of corporate image on the company's crisis management and the countermeasures:

The company adheres to the business philosophy of "Diligence, Perseverance, Frugality and Trustworthiness, To Aim at the Sovereign Good, Perpetual Business Operation, Dedication to the Society" and has established a good corporate image. In the future, we will continue to implement this philosophy, strive for excellence, and make greater contributions to society.

6.7 Expected benefits and possible risks of mergers and response measures:

There has been no merger and acquisition implemented by the company in the most recent fiscal year up to the publication date of this Annual Report. Nevertheless, if mergers are being planned in the future, the company will maintain a prudent attitude in evaluating such options to ensure that rights and interests of shareholders and employees are being protected.

6.8 The expected benefits and possible risks to expand the plants and the countermeasures:

To respond to the customers' requirements for processing microtization, in 2015, the company had set up production of silicon blocks at Japan Formosa Sumco Corporation to supply latter-stage fab processing needs to the company's Mai-Liao facility. This helps us to adequately respond to customers' quality requirements for processing microtization. Anticipated risks and countermeasures: None.

6.9 The risks faced with concentrated procurement and sales, and the countermeasures:

The company does not have concentrated procurement or sales. Raw materials are being supplied by several suppliers, all of whom are long-term suppliers to the company hence there is no material risk. The company will continue to actively develop new vendors to ensure sources of material. Alternatively, there is no sales concentration, as the company's 200mm silicon fab has the top market share in

Taiwan. Nevertheless, the company is actively developing the Chinese market to enhance our market share. In terms of the 300mm silicon fab, we are actively working with the Taiwanese semiconductor industry's progress in building 300mm fabs and producing the quantities to satisfy customers' needs. We have moved up the mass production timeline in accordance with customers' attestation needs to ensure that synergistic growth can be achieved by the company and our customers, thus enhancing the overall competitiveness in the Taiwanese semiconductor industry.

6.10 Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or Shareholders holding more than 10 percent of the Company's shares, and related response measures: Not applicable.

6.11 Impact, risk, and response measures related to any change in governance rights in the company:

As of the date of publication of this Annual Report, the company has not had changes in governance rights.

6.12 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that : (1) involve the company and/or any company director, any company supervisor, president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities : None

6.13 Other important risks, and mitigation measures being or to be taken :

6.13.1 The Organization Structure of Risk Management :

Risk Evaluation Items	Risk Management Unit	Risk Review
1. Interest rate, fluctuation in foreign exchange rate, and inflation	President Office, Accounting Department, Financial Department, President Office of the General Administrative Office of Formosa	Computer audit and regular self-inspection, monthly fund meeting, joint meeting of financial executives, internal auditing office, and the

Risk Evaluation Items	Risk Management Unit	Risk Review
	Plastics Group	Board of Directors
2. High-risk, high leverage investments, loaning funds to other parties, providing endorsements and guarantees to other parties, and derivatives transaction	President Office, Financial Department, President Office of the General Administrative Office of Formosa Plastics Group	Computer audit and regular self-inspection, monthly fund meeting, joint meeting of financial executives, internal auditing office, and the Board of Directors
3. R&D plan	President Office, Support Department of each business Division, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, R&D project meeting, the Board of Directors, and internal auditing office
4. Important policy and legal changes at home and abroad	President Office, Manager Office and Support Department of each business Division, Legal Affairs Office of the General Administrative Office, President Office of the General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, the Board of Directors, and internal auditing office
5. Technology Changes	President Office, Manager Office of each business Division, R&D Department, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
6. Changes in Corporate Image	President Office, Manager Office of each business Division, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, and the Board of Directors
7. M&A or reinvestment	President Office, Manager Office of each business Division, General Administrative	Production and sales meeting, business performance meeting, internal auditing office,

Risk Evaluation Items	Risk Management Unit	Risk Review
	Office of Formosa Plastics Group	and the Board of Directors
8. Expansion of Plants	President Office, Manager Office and Factory Affairs Office of each business Division, General Administrative Office of Formosa Plastics Group	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
9. Purchase or turnover concentration	President Office, Manager Office of each business Division, Procurement Department, President Office of the General Administrative Office of Formosa Plastics Group	Market weekly meeting, production and sales meeting, business performance meeting, auditing department, and the Board of Directors
10. Directors and supervisors and major shareholders equity transfer	President Office, Share Unit of Financial Department	Business management meeting and the Board of Directors
11. Changes in Operation Right	President Office, General Administrative Office of Formosa Plastics Group	Business management meeting and the Board of Directors
12. Litigious and non-litigious matters	President Office, Manager Office of each business Division, Legal Affairs Office of the General Administrative Office	Production and sales meeting, business performance meeting, internal auditing office, and the Board of Directors
13. Information Security	President Office, Manager Office of each business Division, General Administrative Office of Formosa Plastics Group	Business management meeting, internal auditing office and the Board of Directors

6.13.2 Company Procedures for Handling Material Inside Information

(1)"Diligence, Perseverance, Frugality and Trustworthiness" is the core enterprise spirit. The Company therefore set up a strict ethical policy

hoping employees to obey every behavioral standard and principle of moral, and take full responsibility either for working or daily routine. Thus, employees disclose confidential information, tell a lie, indulge in malpractices, or spread rumours is strictly prohibited.

- (2) The Company has set up and clearly stated the "Personnel Management Rules." Without written permission issued by the Company, employees should not release any inside information or information has not been announced. Besides, the use of inside information for personal or business unrelated purposes are also strictly forbidden.
- (3) The Company has set up "Spokesperson Procedure" for information announcement and the procedures for critical factory events. Besides the Company's spokesperson, none of the staff can reveal corporate policies or business related information in order to prevent insider trading.

7. Other Important Matters : None.

VIII. Other Special Notes

1. Information on related companies:

1.1 Related Company Report

1.1.1 Declaration:

The company's Related Company Report in 2021 (from January 1, 2021 to December 31, 2021) was prepared in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises, and information disclosed and the related information disclosed in the Notes to Financial Statements in the aforementioned period do not contain material discrepancies.

We hereby declare the above statement is true.

Formosa Sumco Technology Corp.

Person in charge: Jason Lin

April 13, 2022

1.1.2 Opinion from the Certified Public Accountant for the Declaration Review opinion on the Related Party Report

Review No. 11103432 on April 19, 2022

To: Formosa Sumco Technology Corp.

Subject: Opinion on the company's 2021 Related Company Report which has
been stated to contain no material discrepancies

Explanation:

1. Formosa Sumco Technology Corp. ("the company") has stated that its 2021 Related Company Report (from January 1, 2021 to December 31, 2021) prepared on April 13, 2022 was prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises," and that the information disclosed and the related information disclosed in the Notes to Financial Statements in the aforementioned period do not contain material discrepancies. The company's statement is shown as attachment.
2. We have compared the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" and the Notes to Financial Statements in the company's 2021 Financial Statements against the company's Related Company Report, and have not found any material discrepancies in the aforementioned statement.

Deloitte & Touche

CPA Ching Ting Yang

CPA Wen Yuan Chuang

1.1.3 Summary of relations between subsidiaries and holding company:

Unit: shares, %

Name of the holding company	Reason for control	Shareholding and conditions of pledge from the holding company			Conditions in which the holding company has designated personnel to serve as directors, supervisors, or managers	
		Number of shares held	Shareholding ratio	Number of shares pledged	Position	Name
Sumco Techxiv Corporation	Control held	176,742,849	45.57%	0	President Vice President Financial Officer	Keiichi Tanaka Akira Inoue Minoru Miwa

1.1.4 Transactions:

(1) Sales and purchase transactions:

Unit: thousand NTD and %

Transaction status with the holding company				Transaction status with the holding company		Normal transaction terms		Reasons for any difference found	Accounts and notes receivable/payable		Overdue accounts receivable			Note
Purchases (sales)	Monetary amount	The ratio of total purchase (sales)	Gross margin	Unit price (NT\$)	Credit terms	Unit price (NT\$)	Credit terms		Balances	Ratio on total accounts and notes receivable/payable	Monetary amount	Treatment method	Allowance for bad debts	
Purchases	34,331	0	—	—	30-70 days after delivery	—	—	No material differences between general terms and conditions of trade	(2,947)	(0)	—	—	—	
Sales	(1,848,353)	(15)	—	—	Monthly payment 2 months	—	—	No material differences between general terms and conditions of trade	325,336	15	—	—	—	

(2) Financial transactions: None

(3) Financing capital: None

(4) Assent lease: None

(5) Other material transactions: None

1.1.5 Endorsements/guarantees: None

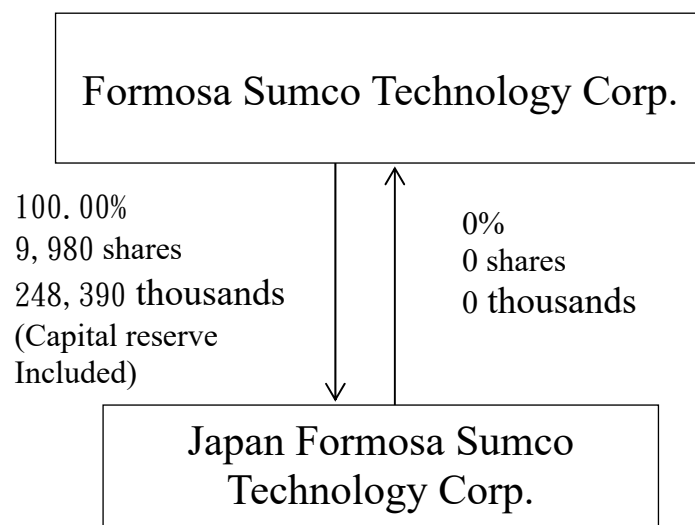
1.1.6 Other material influences to finance or business:

Since 2003, the company has been paying regular license fees to Sumco Techxiv Corporation based on contractual agreements. Technical remunerations recorded as selling expense in 2021 and 2020 were NT\$18,375 thousand and NT\$19,260 thousand respectively. In addition, unpaid expense as of December 31, 2021 and December 31, 2020 recorded as license rights payable—related parties under other payables was NT\$18,375 thousand and NT\$19,260 thousand respectively.

1.2 Consolidated Business Report of Affiliated Companies

1.2.1 Status of affiliated companies

(1) Organization chart of affiliated companies



Note 1 : The Company is the controlling company of the above-mentioned companies and those are the subordinate companies of the Company. (The information of shareholding shares and ratio is as of December 31, 2021)

Note 2 : The unit of the amount of investment is NT\$ thousands.

Note 3 : The definition of affiliated companies is based on the Article 369-1 of Company Act.

(2) The basic information of affiliated companies

Name of Company	Incorporation Date	Address	Paid-in capital Unit: JPY thousands	Main Business Items
Japan Formosa Sumco Technology Corp.	2015	1-52 Yamashirochokubara, Imari, Saga	499,000	Ingots

Note 1 : All affiliated companies should be disclosed no matter its scales.

Note 2 : If an affiliated company has a factory which sales value of product exceeds 10% of the operating income of the controlling company, the name of the factory, the incorporation date, address and the main production products of the factory should be specified.

Note 3 : If the affiliated company is a foreign company, the name and address could be stated in English and the incorporation date could be stated with Common Era and the amount of paid-in capital also could be stated in foreign dollar. The exchange rate of Japanese Yen to New Taiwan Dollar at the end of fiscal year is 1:0.2489.

(3) Shareholders concluded as the existence of the controlling and subordinate company relation :
None.

Unit : NT\$ thousands ; share ; %

Presumptive reason	Name (Note 1)	Shareholding (Note 2)		Incorporation Date	Address	Paid-in capital	Main Business Items
		Shares	Shareholding ratio				
-	-	-	-	-	-	-	-

(4) The industries covered by the business operated by the affiliates overall. (Please describe the

mutual dealings and division of work among such affiliates) : Electronics industry

Business relationship : Japan Formosa Sumco Technology Corp. sells ingots to the parent company Formosa Sumco Technology Corp.

(5) Directors, Supervisors and Presidents of affiliated companies

Unit : share ; %

Name of Company	Title (Note 1)	Name or Representative	Shareholding (Note 2) (Note 3)	
			Shares	Shareholding ratio
Japan Formosa Sumco Technology Corp.	Director and General Manager	Keiichi Tanaka (Note 3)	0	0.00
Japan Formosa Sumco Technology Corp.	Director	Shun-Ho Wu (Note 3)	0	0.00
Japan Formosa Sumco Technology Corp.	Director	Hirokazu Tamura (Note 3)	0	0.00
Japan Formosa Sumco Technology Corp.	Supervisor	Hiroji Kuwahata (Note 3)	0	0.00

Note 1 : If an affiliated company is a foreign company, list the equivalent title.

Note 2 : If the invested company is a company limited by shares, please fill in the share number and shareholding ratio. For others, please indicate so, and fill in invested amount and invested percentage.

1.2.2 Operation results of affiliated companies

Unit : NT\$ thousands 2020.12.31

Name of Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	Earnings per share (NT\$)
Japan Formosa Sumco Technology Corp.	124,195	896,542	512,962	383,580	699,526	46,506	23,189	2,323.54

Note 1 : All affiliated companies should be disclosed no matter its scales.

Note 2 : If the affiliated company is a foreign company, the amount should be exchange into New Taiwan Dollar with the exchange rate at the end of fiscal year. The exchange rate of Japanese Yen to New Taiwan Dollar at the end of fiscal year is 1:0.2404.

Note 3 : Japan Formosa Sumco Technology Corp. has 9,980 shares with a face value of 50,000 yen per share.

1.3 Consolidated Business Report of Affiliated Companies : Same as recent year's financial report

2. The status of private placement of securities in the most recent year and as of the date of publication of the annual report : None.
3. The subsidiaries of the Company acquired, disposed of the shares of the Company in the most recent year and as of the date of publication of the annual report : None.
4. Other necessary supplement : None.
5. The significant impacts on shareholders' right or share prices as stated in item 3 paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan in the most recent year and as of the date of publication of the annual report : None.

**Formosa Sumco Technology Corporation
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates as of and for the year ended December 31, 2021, in accordance with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Formosa Sumco Technology Corporation and subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

FORMOSA SUMCO TECHNOLOGY CORPORATION

By

March 4, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Formosa Sumco Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Formosa Sumco Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The 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 Group's consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements is as follows:

Revenue Recognition

The Group mainly manufactures and sells silicon wafers. For some of the major clients, the Group recognizes sales revenue when the goods have been delivered to the client's designated location and the client actually uses the goods in accordance with the agreement. As the above-mentioned sales revenue is significant for the year ended December 31, 2021, the occurrence of revenue recognition for the aforementioned type of sales revenue has been deemed as a key audit matter for the year ended December 31, 2021.

To address this matter, we evaluated the Group's revenue recognition policy and the relevant design and implementation of internal controls for this type of revenue, also performed test of related controls and substantive tests, selected samples of revenue for this type of sales, verified them against sales reports, the clients' transaction statements and related documents to confirm that the transactions for this type of sales had been occurred.

Other Matter

We have also audited the parent company only financial statements of Formosa Sumco Technology Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 Ching-Ting Yang and Wen-Yuan Chuang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 4, 2022

Notice to Readers

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

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

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,283,087	39	\$ 7,860,058	34
Financial assets at amortized cost - current (Notes 4 and 8)	-	-	300,000	1
Trade receivables from unrelated parties (Notes 4, 9 and 19)	1,670,140	7	1,671,922	7
Trade receivables from related parties (Notes 4, 9, 19 and 25)	456,728	2	305,906	1
Other receivables from unrelated parties (Notes 4 and 9)	31,673	-	40,304	-
Other receivables from related parties (Notes 4, 9 and 25)	1,221	-	2,629	-
Inventories (Notes 4, 5 and 10)	2,886,367	12	2,967,506	13
Prepayments (Notes 4 and 15)	128,952	1	127,247	1
Total current assets	14,458,168	61	13,275,572	57
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	311	-	324	-
Property, plant and equipment (Notes 4, 12, 25 and 26)	8,880,516	38	9,548,512	42
Right-of use assets (Notes 4, 13 and 25)	17,357	-	30,015	-
Intangible assets (Notes 4, 14 and 25)	7,963	-	6,564	-
Deferred tax assets (Notes 4 and 21)	269,662	1	227,629	1
Prepayments for equipment (Note 4)	85,517	-	9,492	-
Refundable deposits (Note 4)	205	-	205	-
Other non-current assets (Notes 4 and 15)	1,746	-	2,995	-
Total non-current assets	9,263,277	39	9,825,736	43
TOTAL	\$ 23,721,445	100	\$ 23,101,308	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	\$ 126,870	-	\$ 153,973	1
Trade payables to unrelated parties (Note 4)	428,292	2	421,262	2
Trade payables to related parties (Notes 4 and 25)	112,151	-	106,536	-
Other payables to unrelated parties (Notes 4, 16 and 20)	1,077,540	5	941,537	4
Other payables to related parties (Notes 4, 16 and 25)	274,658	1	259,170	1
Current tax liabilities (Notes 4 and 21)	371,182	2	364,517	2
Lease liabilities - current (Notes 4, 13 and 25)	7,292	-	11,352	-
Other current liabilities	11,634	-	11,558	-
Total current liabilities	2,409,619	10	2,269,905	10
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	28,495	-	20,930	-
Lease liabilities - non-current (Notes 4, 13 and 25)	10,298	-	18,890	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	401,904	2	375,686	2
Guarantee deposits (Note 4)	217	-	683	-
Other non-current liabilities	18,156	-	69,186	-
Total non-current liabilities	459,070	2	485,375	2
Total liabilities	2,868,689	12	2,755,280	12
EQUITY (Notes 4, 18 and 23)				
Share capital				
Ordinary shares	3,878,483	16	3,878,483	17
Capital surplus	5,739,249	24	5,739,235	25
Retained earnings				
Legal reserve	2,424,699	10	2,293,240	10
Unappropriated earnings	8,839,600	38	8,414,855	36
Total retained earnings	11,264,299	48	10,708,095	46
Other equity	(29,275)	-	20,215	-
Total equity	20,852,756	88	20,346,028	88
TOTAL	\$ 23,721,445	100	\$ 23,101,308	100

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

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19, 25 and 29)	\$ 12,166,313	100	\$ 11,934,697	100
OPERATING COSTS (Notes 10, 14, 17, 20 and 25)	<u>(9,613,840)</u>	<u>(79)</u>	<u>(9,520,690)</u>	<u>(80)</u>
GROSS PROFIT	<u>2,552,473</u>	<u>21</u>	<u>2,414,007</u>	<u>20</u>
OPERATING EXPENSES (Notes 17, 20 and 25)				
Marketing	(462,648)	(4)	(348,121)	(3)
Administrative	<u>(273,806)</u>	<u>(2)</u>	<u>(228,242)</u>	<u>(2)</u>
Total operating expenses	<u>(736,454)</u>	<u>(6)</u>	<u>(576,363)</u>	<u>(5)</u>
INCOME FROM OPERATIONS	<u>1,816,019</u>	<u>15</u>	<u>1,837,644</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 25)				
Interest income	21,890	-	44,622	1
Other income	16,162	-	19,404	-
Other gains and losses	(162,243)	(1)	(332,643)	(3)
Finance costs	<u>(395)</u>	<u>-</u>	<u>(1,050)</u>	<u>-</u>
Total non-operating income and expenses	<u>(124,586)</u>	<u>(1)</u>	<u>(269,667)</u>	<u>(2)</u>
INCOME BEFORE INCOME TAX	1,691,433	14	1,567,977	13
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(280,663)</u>	<u>(2)</u>	<u>(260,066)</u>	<u>(2)</u>
NET INCOME	<u>1,410,770</u>	<u>12</u>	<u>1,307,911</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(25,865)	-	8,343	-
Unrealized gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income	(13)	-	7	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	5,173	-	(1,669)	-

(Continued)

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (49,477)	(1)	\$ (5,882)	-
Other comprehensive income (loss) for the year, net of income tax	(70,182)	(1)	799	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,340,588</u>	<u>11</u>	<u>\$ 1,308,710</u>	<u>11</u>
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 3.64</u>		<u>\$ 3.37</u>	
Diluted earnings per share	<u>\$ 3.64</u>		<u>\$ 3.37</u>	

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

(Concluded)

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Surplus	Retained Earnings		Others		Total	Total Equity	
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2020	\$ 3,878,483	\$ 5,739,217	\$ 2,080,660	\$ 8,670,319	\$ 10,750,979	\$ 25,811	\$ 279	\$ 26,090	\$ 20,394,769
Appropriation of 2019 earnings									
Legal reserve	-	-	212,580	(212,580)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,357,469)	(1,357,469)	-	-	-	(1,357,469)
	-	-	212,580	(1,570,049)	(1,357,469)	-	-	-	(1,357,469)
Dividends expired and uncollected by shareholders	-	18	-	-	-	-	-	-	18
Net income or the year ended December 31, 2020	-	-	-	1,307,911	1,307,911	-	-	-	1,307,911
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	6,674	6,674	(5,882)	7	(5,875)	799
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,314,585	1,314,585	(5,882)	7	(5,875)	1,308,710
BALANCE AT DECEMBER 31, 2020	3,878,483	5,739,235	2,293,240	8,414,855	10,708,095	19,929	286	20,215	20,346,028
Appropriation of 2020 earnings									
Legal reserve	-	-	131,459	(131,459)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(833,874)	(833,874)	-	-	-	(833,874)
	-	-	131,459	(965,333)	(833,874)	-	-	-	(833,874)
Dividends expired and uncollected by shareholders	-	14	-	-	-	-	-	-	14
Net income or the year ended December 31, 2021	-	-	-	1,410,770	1,410,770	-	-	-	1,410,770
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	(20,692)	(20,692)	(49,477)	(13)	(49,490)	(70,182)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	1,390,078	1,390,078	(49,477)	(13)	(49,490)	1,340,588
BALANCE AT DECEMBER 31, 2021	\$ 3,878,483	\$ 5,739,249	\$ 2,424,699	\$ 8,839,600	\$ 11,264,299	\$ (29,548)	\$ 273	\$ (29,275)	\$ 20,852,756

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

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,691,433	\$ 1,567,977
Adjustments for:		
Depreciation expenses	2,054,465	2,235,048
Amortization expenses	2,412	2,913
Interest expense	395	1,050
Interest income	(21,890)	(44,622)
Dividend income	(2)	(9)
Gain on disposal of property, plant and equipment	(68)	(1)
Write-down of inventories	16,567	8,347
Net loss on foreign exchange	16,162	21,209
Changes in operating assets and liabilities		
Trade receivables	(180,417)	(22,349)
Other receivables	10,199	716
Inventories	46,925	(86,818)
Prepayments	2,094	53,392
Contract liabilities	(27,103)	84,381
Trade payables	13,250	9,220
Other payables	430,445	(188,107)
Other current liabilities	76	2,128
Net defined benefit liabilities	1,288	139
Cash generated from operations	4,056,231	3,644,614
Interest received	21,890	44,622
Dividends received	2	9
Interest paid	(395)	(1,050)
Income tax paid	(304,228)	(115,208)
Net cash generated from operating activities	<u>3,773,500</u>	<u>3,572,987</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(300,000)
Disposal of financial assets at amortized cost	300,000	-
Payments for property, plant and equipment	(1,666,076)	(657,896)
Disposal of property, plant and equipment	91	1
Decrease in refundable deposits	-	4
Payments for intangible assets	(3,098)	(7,728)
Decrease in other non-current assets	487	-
Increase in other non-current assets	-	(2,436)
Increase in prepayments for equipment	(85,452)	(18,894)
Net cash used in investing activities	<u>(1,454,048)</u>	<u>(986,949)</u>

(Continued)

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	\$ -	\$ 436
Decrease in guarantee deposits received	(466)	-
Repayment of the principal portion of lease liabilities	(11,122)	(11,281)
Increase in other non-current liabilities	-	9,072
Decrease in other non-current liabilities	(51,030)	-
Dividends paid to owners of the Company	<u>(833,807)</u>	<u>(1,357,405)</u>
Net cash used in financing activities	<u>(896,425)</u>	<u>(1,359,178)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>2</u>	<u>8,447</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,423,029	1,235,307
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,860,058</u>	<u>6,624,751</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 9,283,087</u>	<u>\$ 7,860,058</u>

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

(Concluded)

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Formosa Sumco Technology Corporation (the “Company”, formerly Formosa Komatsu Silicon Corporation) was established by Formosa Plastics Corporation, Asia Pacific Investment Corporation and Komatsu Electronic Metals Co., Ltd. The Company was incorporated in the Republic of China (“ROC”) in and commenced business in November 1995. The Company mainly manufactures, sells, and trades silicon wafers.

On October 18, 2006, Sumco Corporation acquired 51% of the equity in Komatsu Electronic Metals Co., Ltd. As the result, the Company’s name was changed to Formosa Sumco Technology Corporation in accordance with the resolution passed at the general shareholders’ meeting on December 29, 2006, and this name change was registered with the Ministry of Economic Affairs, Republic of China. In addition, Komatsu Electronic Metals Co., Ltd. changed its name to Sumco Techxiv Corporation.

The Company became publicly listed on September 12, 2006, and its shares have been listed and started trading on the Emerging Stock Board (ESB) on November 23, 2006. The Company was subsequently listed and started trading on the Taiwan Stock Exchange since December 10, 2007.

The Company’s parent is Sumco Techxiv Corporation, which held 45.57% and 45.57% of the ordinary shares of the Company as of December 31, 2021 and 2020, respectively. The Company’s ultimate parent is Sumco Corporation.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 4, 2022.

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

- a. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except for deferred taxes that will be 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the 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 the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, 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 Group 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. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

Non-monetary 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 on 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 case, 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 translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries in other countries that are using currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an 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) Derecognition of intangible assets

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

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

At the end of each reporting period, the Group 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 Group 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.

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 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 for 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 a group entity becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by 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:

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

- Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Group 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 the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month 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.

The Group 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.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Equity instruments issued by a group entity 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. 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. Revenue recognition

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

1) Revenue from the sale of goods

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from consignment services. The Group is an agent and its performance obligation is the provision of consignment services. The Group recognizes revenue in the net amount of consideration received or receivable when the goods that are consigned are transferred to the customer and the Group has no further obligation to the customer.

l. Leasing

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

The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, 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 Group 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 Group 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, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the 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.

o. 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 Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax 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 forwards, and unused tax credits for purchases of machinery and equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is 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 period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax 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 tax 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 Group's accounting policies, management is required to make judgments, estimates and assumptions about 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and therefore, the Group uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid advancement in technology, the Group estimates the net realizable value of inventories for obsolete and unmarketable items at the end of the reporting period and then writes down the cost of inventories to their net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, and hence may result in significant changes. The carrying amounts of inventories as of December 31, 2021 and 2020 are disclosed in Note 10.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 8	\$ -
Checking accounts	2,543	336
Demand deposits	564	546
Foreign currency deposits	606,969	879,244
Cash equivalents (investments with original maturities of less than 3 months)		
Commercial papers	1,574,086	754,923
Repurchase agreements collateralized by bonds	1,683,130	1,367,261
Time deposits	<u>5,415,787</u>	<u>4,857,748</u>
	<u>\$ 9,283,087</u>	<u>\$ 7,860,058</u>

The market rate intervals of cash in bank, commercial papers and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	<u>December 31</u>	
	2021	2020
Demand deposits	0.02%	0.02%
Foreign currency deposits	0.0001%-0.01%	0.01%
Commercial papers	0.25%-0.37%	0.22%-0.27%
Repurchase agreements collateralized by bonds	0.25%-0.30%	0.22%-0.24%
Time deposits	0.31%-0.38%	0.33%-0.42%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - Formosa Petrochemical Corporation	\$ <u>311</u>	\$ <u>324</u>

The Group invested in the ordinary shares of Formosa Petrochemical Corporation for long-term strategy purposes, and expects to profit from the shares through long-term investment. 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 Group's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ <u>-</u>	\$ <u>300,000</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.42% per annum as December 31, 2020.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount		
Trade receivables from unrelated parties	\$ 1,670,140	\$ 1,671,922
Trade receivables from related parties	456,728	305,906
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 2,126,868</u>	<u>\$ 1,977,828</u>
<u>Other receivables</u>		
Tax refund receivables (sales tax)	\$ 30,142	\$ 37,250
Others	<u>1,531</u>	<u>3,054</u>
	<u>\$ 31,673</u>	<u>\$ 40,304</u>
<u>Other receivables - related parties</u>		
Others	<u>\$ 1,221</u>	<u>\$ 2,629</u>

Trade Receivables

At amortized cost

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

The Group provides for expected credit losses based on the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for 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 economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 2,126,868	\$ -	\$ -	\$ -	\$ -	\$ 2,126,868
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 2,126,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,126,868</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 1,977,828	\$ -	\$ -	\$ -	\$ -	\$ 1,977,828
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 1,977,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,977,828</u>

10. INVENTORIES

	<u>December 31</u>	
	2021	2020
Raw materials	\$ 833,149	\$ 750,902
Supplies	1,070,445	1,082,442
Work in progress	482,277	564,383
Finished goods	611,520	679,605
Merchandise inventories	22,813	7,444
Less: Allowance for inventory write-downs	<u>(133,837)</u>	<u>(117,270)</u>
	<u>\$ 2,886,367</u>	<u>\$ 2,967,506</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$9,613,840 thousand and \$9,520,690 thousand, respectively.

The cost of goods sold for the year ended December 31, 2021 included reversal of inventory write-downs of \$16,567 thousand and income from the sale of silicon waste of \$72,655 thousand, respectively.

The cost of goods sold for the year ended December 31, 2020 included reversal of inventory write-downs of \$8,347 thousand and income from the sale of silicon waste of \$46,629 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership	
			2021	2020
The Company	Japan Formosa Sumco Technology Corporation	Manufacture and sale of high quality ingots and other related businesses	100%	100%

The above subsidiary was incorporated in the consolidated financial statements on the basis of the subsidiary's audited financial statements for the same reporting periods as the Company.

12. PROPERTY, PLANT AND EQUIPMENT

Asset Used by the Group

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 120,906	\$ 3,933,248	\$ 33,583,371	\$ 923,231	\$ 1,040,953	\$ 39,601,709
Additions	-	-	27,337	34,747	1,392,574	1,454,658
Reclassifications	-	11,281	1,517,783	75,696	(1,604,760)	-
Disposals	-	-	(389,440)	(405,120)	-	(794,537)
Effect of foreign currency exchange differences	-	-	(143,159)	(2,316)	-	(145,475)
Balance at December 31, 2021	<u>\$ 120,906</u>	<u>\$ 3,944,529</u>	<u>\$ 34,595,892</u>	<u>\$ 626,238</u>	<u>\$ 828,767</u>	<u>\$ 40,116,332</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 1,573,175	\$ 27,730,332	\$ 749,690	\$ -	\$ 30,053,197
Disposals	-	-	(380,440)	(405,097)	-	(794,560)
Depreciation expense	-	111,725	1,847,719	56,883	-	2,043,327
Effect of foreign currency exchange differences	-	-	(64,869)	(1,302)	-	(66,171)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,684,900</u>	<u>\$ 29,150,742</u>	<u>\$ 400,174</u>	<u>\$ -</u>	<u>\$ 31,325,816</u>
Carrying amount at December 31, 2021	<u>\$ 120,906</u>	<u>\$ 2,259,629</u>	<u>\$ 5,445,150</u>	<u>\$ 226,064</u>	<u>\$ 828,767</u>	<u>\$ 8,880,516</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 120,906	\$ 3,901,905	\$ 32,397,869	\$ 813,591	\$ 1,497,235	\$ 38,731,506
Additions	-	-	18,275	65,070	827,181	910,526
Reclassifications	-	31,343	1,200,097	52,023	(1,283,463)	-
Disposals	-	-	(15,454)	(7,171)	-	(22,625)
Effect of foreign currency exchange differences	-	-	(17,416)	(282)	-	(17,698)
Balance at December 31, 2020	<u>\$ 120,906</u>	<u>\$ 3,933,248</u>	<u>\$ 33,583,371</u>	<u>\$ 923,231</u>	<u>\$ 1,040,953</u>	<u>\$ 39,601,709</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
Accumulated depreciation and impairment						
Balance at January 1, 2020	\$ -	\$ 1,462,462	\$ 25,680,303	\$ 716,852	\$ -	\$ 27,859,617
Disposals	-	-	(15,454)	(7,171)	-	(22,625)
Depreciation expense	-	110,713	2,072,756	40,155	-	2,223,624
Effect of foreign currency exchange differences	-	-	(7,273)	(146)	-	(7,419)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,573,175</u>	<u>\$ 27,730,332</u>	<u>\$ 749,690</u>	<u>\$ -</u>	<u>\$ 30,053,197</u>
Carrying amount at December 31, 2020	<u>\$ 120,906</u>	<u>\$ 2,360,073</u>	<u>\$ 5,853,039</u>	<u>\$ 173,541</u>	<u>\$ 1,040,953</u>	<u>\$ 9,548,512</u>

(Concluded)

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

Building

Real estate, dormitories, warehouses, and readiness rooms	23-35 years
Wastewater treatment area and strain tanks	15-35 years

Machinery and equipment

Other equipment	3-12 years
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The Group did not have impairment of property, plant and equipment in 2021 and 2020.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 7,325	\$ 10,988
Buildings	<u>10,032</u>	<u>19,027</u>
	<u>\$ 17,357</u>	<u>\$ 30,015</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 25,194</u>
Depreciation charge for right-of-use assets		
Land	\$ 3,662	\$ 3,662
Buildings	<u>7,476</u>	<u>7,762</u>
	<u>\$ 11,138</u>	<u>\$ 11,424</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Current	\$ <u>7,292</u>	\$ <u>11,352</u>
Non-current	\$ <u>10,298</u>	\$ <u>18,890</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.1%	1.1%
Buildings	1.1%	1.1%

14. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Technical cooperation fees	\$ <u>7,963</u>	\$ <u>6,564</u>

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Cost</u>		
Balance at January 1	\$ 7,728	\$ -
Additions	<u>3,098</u>	<u>7,728</u>
Balance at December 31	\$ <u>10,826</u>	\$ <u>7,728</u>
<u>Accumulated amortization</u>		
Balance at January 1	\$ 1,164	\$ -
Amortization expense	<u>1,699</u>	<u>1,164</u>
Balance at December 31	\$ <u>2,863</u>	\$ <u>1,164</u>
Carrying amount at December 31	\$ <u>7,963</u>	\$ <u>6,564</u>

The Company signed a technical cooperation arrangement with Sumco Corporation with a total fee of JPY13,000 thousand (NT\$3,098 thousand) in December 2020, March, April, June, August, September and November 2021 has been paid JPY13,000 thousand (NT\$3,098 thousand) in April, May, July, November and December 2021, and are amortized over a period of 60 months.

The Company signed a technical cooperation arrangement with Sumco Corporation with a total fee of JPY28,000 thousand (NT\$7,728 thousand) in March and December 2020 has been paid JPY28,000 thousand (NT\$7,728 thousand) in March, April and December 2020, and are amortized over a period of 60 months.

The amortization expense as of December 31, 2021 was \$1,699 thousand. The amortization expense is accounted for as technical corporation expense under operating costs.

The amortization expense as of December 31, 2020 was \$1,164 thousand. The amortization expense is recognized as technical corporation expense under operating costs.

15. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
Prepayments	\$ 128,952	\$ 127,247
Others (including testing fees and electricity subsidies)	<u>1,746</u>	<u>2,995</u>
	<u>\$ 130,698</u>	<u>\$ 130,242</u>
Current	\$ 128,952	\$ 127,247
Non-current	<u>1,746</u>	<u>2,995</u>
	<u>\$ 130,698</u>	<u>\$ 130,242</u>

16. OTHER LIABILITIES

	<u>December 31</u>	
	2021	2020
<u>Other payables - current</u>		
Payables for purchase of equipment	\$ 203,333	\$ 417,913
Payables for salary and bonus	599,809	308,058
Payables for insurance	34,033	27,615
Payables for utilities	55,661	53,682
Payables for dividends	155	102
Others (Note)	<u>184,549</u>	<u>134,167</u>
	<u>\$ 1,077,540</u>	<u>\$ 941,537</u>
<u>Other payables - related parties (current)</u>		
Payables for purchase of equipment - related parties	\$ -	\$ 6,265
Payables for royalties - related parties	259,423	210,734
Payables for accrued expenses - related parties	<u>15,235</u>	<u>42,171</u>
	<u>\$ 274,658</u>	<u>\$ 259,170</u>

Note: Others included under other payables - current are mainly payables for project fees, pension cost, employees' compensation and taxation.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six 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 included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 574,164	\$ 539,439
Fair value of plan assets	<u>(172,260)</u>	<u>(163,753)</u>
Net defined benefit liabilities	<u>\$ 401,904</u>	<u>\$ 375,686</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 535,186</u>	<u>\$ (151,296)</u>	<u>\$ 383,890</u>
Service cost			
Current service cost	3,075	-	3,075
Net interest expense (income)	<u>5,352</u>	<u>(1,544)</u>	<u>3,808</u>
Recognized in profit or loss	<u>8,427</u>	<u>(1,544)</u>	<u>6,883</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,169)	(4,169)
Actuarial (gain) loss - experience adjustments	<u>(4,174)</u>	-	<u>(4,174)</u>
Recognized in other comprehensive income	<u>(4,174)</u>	<u>(4,169)</u>	<u>(8,343)</u>
Contributions from the employer	-	(6,744)	(6,744)
Balance at December 31, 2020	<u>539,439</u>	<u>(163,753)</u>	<u>375,686</u>
Service cost			
Current service cost	3,012	-	3,012
Net interest expense (income)	<u>5,394</u>	<u>(1,699)</u>	<u>3,725</u>
Recognized in profit or loss	<u>8,406</u>	<u>(1,699)</u>	<u>6,737</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (454)	\$ (454)
Actuarial (gain) loss - experience adjustments	<u>26,319</u>	<u>-</u>	<u>26,319</u>
Recognized in other comprehensive income	<u>26,319</u>	<u>(454)</u>	<u>25,865</u>
Contributions from the employer	<u>-</u>	<u>(6,384)</u>	<u>(6,384)</u>
Balance at December 31, 2021	<u>\$ 574,164</u>	<u>\$ (172,260)</u>	<u>\$ 401,904</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the 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	
	2021	2020
Discount rates	0.50%	1.00%
Expected rates of salary increase	2.85%	2.85%

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	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (15,910)</u>	<u>\$ (18,045)</u>
0.25% decrease	<u>\$ 16,526</u>	<u>\$ 18,859</u>
Expected rates of salary increase		
1% increase	<u>\$ 68,505</u>	<u>\$ 79,994</u>
1% decrease	<u>\$ (60,148)</u>	<u>\$ (68,437)</u>

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.

	<u>December 31</u>	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 6,812</u>	<u>\$ 6,249</u>
The average duration of the defined benefit obligation	13.3 years	16.0 years

18. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2021	2020
Numbers of shares authorized (in thousands)	<u>775,697</u>	<u>775,697</u>
Shares authorized	<u>\$ 7,756,966</u>	<u>\$ 7,756,966</u>
Number of shares issued and fully paid (in thousands)	<u>387,848</u>	<u>387,848</u>
Shares issued	<u>\$ 3,878,483</u>	<u>\$ 3,878,483</u>

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

b. Capital surplus

	<u>December 31</u>	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares (1)	\$ 5,739,080	\$ 5,739,080
<u>May be used to offset a deficit only</u>		
Dividends expired and uncollected by shareholders (2)	<u>169</u>	<u>155</u>
	<u>\$ 5,739,249</u>	<u>\$ 5,739,235</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 to once a year).

2) Accounted for as capital surplus - others, and may be used only to offset a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, 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 distribution of employees' compensation and remuneration of directors and supervisors before and after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 20(g).

The Company belongs to a high-tech capital intensive industry and is in the growth phase. To support the Company's growth, the Company has three different methods to distribute dividends, including cash dividends, capitalization of retained earnings, and capital surplus, and no more than 80% of distributable surplus should be distributed from the legal reserve and special reserve. In principle, cash dividends should be distributed first, and the aggregate of capitalized of retained earnings and capital surplus shall not exceed 50% of total dividends.

An 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 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 appropriations of earnings for 2020 and 2019 which were approved in the shareholders' meetings on July 28, 2021 and June 11, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2020	2019	2020	2019
Legal reserve	\$ 131,459	\$ 212,580		
Cash dividends	833,874	1,357,469	\$ 2.15	\$ 3.50

The appropriations of earnings for 2021 was proposed by the Company's board of directors on March 4, 2022. The appropriations and dividends per share were as follows:

	Appropriation	Dividends Per
	of Earnings	Share (NT\$)
Legal reserve	\$ 139,008	
Special reserve	29,275	
Cash dividends	861,023	\$2.22

The appropriations of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 17, 2022.

d. Other equity items

The exchange differences arising on translation of foreign operations' net assets from their functional currencies to the Group's presentation currency (NTD) are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the exchange differences on translating the financial statements of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income, excluding those available-for-sale financial assets that have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified into profit or loss.

19. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from the sale of goods	<u>\$ 12,166,313</u>	<u>\$ 11,934,697</u>

Contract Balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (Note 9)	<u>\$ 2,126,868</u>	<u>\$ 1,977,828</u>	<u>\$ 1,973,598</u>
Contract assets	<u>\$ 126,870</u>	<u>\$ 153,973</u>	<u>\$ 69,592</u>

20. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 19,755	\$ 43,647
Financial assets at amortized cost	2,122	957
Others	<u>13</u>	<u>18</u>
	<u>\$ 21,890</u>	<u>\$ 44,622</u>

b. Other income

	For the Year Ended December 31	
	2021	2020
Dividend income	\$ 2	\$ 9
Others (including commission income, etc.)	<u>16,160</u>	<u>19,395</u>
	<u>\$ 16,162</u>	<u>\$ 19,404</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange losses	\$ (161,383)	\$ (329,910)
Gain on disposal of property, plant and equipment	68	1
Others	<u>(928)</u>	<u>(2,734)</u>
	<u>\$ (162,243)</u>	<u>\$ (332,643)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on lease liability	\$ 266	\$ 402
Interest expense	<u>129</u>	<u>648</u>
	<u>\$ 395</u>	<u>\$ 1,050</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 2,042,684	\$ 2,224,197
Operating expenses	<u>11,781</u>	<u>10,851</u>
	<u>\$ 2,054,465</u>	<u>\$ 2,235,048</u>
An analysis of amortization by function		
Operating costs	\$ 2,412	\$ 2,913
Operating expenses	<u>-</u>	<u>-</u>
	<u>\$ 2,412</u>	<u>\$ 2,913</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (see Note 17)		
Defined contribution plans	\$ 59,569	\$ 56,490
Defined benefit plans	<u>6,737</u>	<u>6,883</u>
	66,396	63,373
Salary and bonus etc.	<u>1,824,269</u>	<u>1,547,994</u>
	<u>\$ 1,890,665</u>	<u>\$ 1,611,367</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,675,687	\$ 1,429,199
Operating expenses	<u>214,978</u>	<u>182,168</u>
	<u>\$ 1,890,665</u>	<u>\$ 1,611,367</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at rates of no less than 0.05% and no higher than 0.5%, respectively, of net profit before income tax excluding employees' compensation. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March 4, 2022 and March 23, 2021, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	0.300%	0.300%
Remuneration of directors and supervisors	-	-

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 5,055	\$ 4,647
Remuneration of directors and supervisors	-	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Foreign exchange gains	\$ 129,940	\$ 118,996
Foreign exchange losses	<u>(291,323)</u>	<u>(448,906)</u>
Net losses	<u>\$ (161,383)</u>	<u>\$ (329,910)</u>

21. INCOME TAX

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 291,522	\$ 303,874
Income tax expense of unappropriated earnings	17,463	27,156
Adjustments for prior years	973	(54,276)
Deferred tax		
In respect of the current year	<u>(29,295)</u>	<u>(16,688)</u>
Income tax expense recognized in profit or loss	<u>\$ 280,663</u>	<u>\$ 260,066</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before income tax	<u>\$ 1,691,433</u>	<u>\$ 1,567,977</u>
Income tax expense calculated at the statutory rate (20%)	\$ 338,287	\$ 313,595
Nondeductible expense in determining taxable income	2	298
Tax-exempt income	(51,303)	(45,581)
Income tax on unappropriated earnings	17,463	27,156
Recognized investment credits	(33,844)	-
Effect of different tax rate of group entities operating in other jurisdictions	9,085	18,874
Adjustments for prior years' tax	<u>973</u>	<u>(54,276)</u>
Income tax expense recognized in profit or loss	<u>\$ 280,663</u>	<u>\$ 260,066</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	<u>\$ 5,173</u>	<u>\$ (1,669)</u>
Total income tax recognized in other comprehensive income	<u>\$ 5,173</u>	<u>\$ (1,669)</u>

c. Current tax liabilities

	December 31	
	2021	2020
Income tax payable	<u>\$ 371,182</u>	<u>\$ 364,517</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on the difference in timing of translation of foreign currency assets and liabilities	\$ 7,348	\$ (628)	\$ -	\$ 6,720
Allowance for inventory write-offs	23,454	3,065	-	26,519
Defined benefit obligation	72,627	70	5,173	77,870
Difference in depreciation method of machinery and equipment	111,039	34,535	-	145,392
Others	<u>13,161</u>	<u>-</u>	<u>-</u>	<u>13,161</u>
	<u>\$ 227,629</u>	<u>\$ 36,860</u>	<u>\$ 5,173</u>	<u>\$ 269,662</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ (20,930)</u>	<u>\$ (7,565)</u>	<u>\$ -</u>	<u>\$ (28,495)</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on the difference in timing of translation of foreign currency assets and liabilities	\$ 15,691	\$ (8,343)	\$ -	\$ 7,348
Allowance for inventory write-offs	21,785	1,669	-	23,454
Defined benefit obligation	74,269	27	(1,669)	72,627
Difference in depreciation method of machinery and equipment	83,279	27,760	-	111,039
Others	<u>13,899</u>	<u>(738)</u>	<u>-</u>	<u>13,161</u>
	<u>\$ 208,923</u>	<u>\$ 20,375</u>	<u>\$ (1,669)</u>	<u>\$ 227,629</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ (17,243)</u>	<u>\$ (3,687)</u>	<u>\$ -</u>	<u>\$ (20,930)</u>

e. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Net income	<u>\$ 1,410,770</u>	<u>\$ 1,307,911</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share (in thousands)	387,848	387,848
Effect of potentially dilutive ordinary shares Employees' compensation	<u>25</u>	<u>45</u>
Weighted average number of ordinary shares used for computation of diluted earnings per share (in thousands)	<u>387,873</u>	<u>387,893</u>

If the Group offered to settle bonuses or compensation paid to employees in shares or cash, the Group assumed the entire amount of the bonus or compensation would 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, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. CAPITAL MANAGEMENT

In consideration of the prevailing industry dynamics and the future development as well as the changes in the external economic environment, the Group manages its working capital and dividend payments in the future, to ensure that the Group will be able to continue as a going concern while maximizing the returns to shareholders as well as other related parties through the optimization of capital structure.

The Group could make adjustments to dividends or issue new shares in order to maintain or adjust the capital structure.

24. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The Group's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Securities listed in the ROC				
Equity securities	\$ 311	\$ -	\$ -	\$ 311

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Securities listed in the ROC				
Equity securities	\$ 324	\$ -	\$ -	\$ 324

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 11,412,912	\$ 10,143,774
Financial assets at FVTOCI		
Equity instruments	311	324

Financial liabilities

Amortized cost (2)	1,273,745	1,402,340
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- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables (excluding sales tax refund receivables), and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise trade and other payables (excluding payables for salary and bonus, employees' compensation, pension cost, dividend, and taxation), and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, trade payables, and bank borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar (USD) and Japanese Yen (JPY).

The following table details the Group's sensitivity to a 10% increase and decrease in NTD (the functional currency) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the NTD weakening 10% against the relevant currency. For a 10% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Profit or loss	\$ 341,825 (i)	\$ 498,089 (i)	\$ (24,675)(ii)	\$ (36,918)(ii)

- i. This was mainly attributable to the exposure outstanding on cash, receivables and payables in USD, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure to outstanding on cash, receivables and payables in JPY, which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency decreased during the current year mainly due to the decrease in bank deposits and time deposits in USD. The Company's sensitivity to foreign currency decreased during the current period mainly due to the decrease of account payables in JPY.

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 8,673,003	\$ 7,279,932
Cash flow interest rate risk		
Financial assets	607,533	879,790

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$6,075 thousand and \$8,798 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on floating rate bank deposits.

The Group's sensitivity to interest rates was not significantly different for the years ended December 31, 2021 and 2020.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily trade receivables.

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

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for the clients with trade receivables accounting for 10% of total monetary assets. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of total monetary assets at any time during the years ended December 31, 2021 and 2020.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents, highly liquid marketable securities, and sufficient bank borrowings deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate table

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2021

	1-6 Months	6 Months to 1 Year	1-3 Years	3+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,273,745	\$ -	\$ -	\$ -
Lease liabilities	<u>3,819</u>	<u>3,473</u>	<u>10,298</u>	<u>-</u>
	<u>\$ 1,277,564</u>	<u>\$ 3,473</u>	<u>\$ 10,298</u>	<u>\$ -</u>
	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 7,292</u>	<u>\$ 10,298</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	1-6 Months	6 Months to 1 Year	1-3 Years	3+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 1,402,340 <u>5,660</u>	\$ - <u>5,692</u>	\$ - <u>15,157</u>	\$ - <u>3,733</u>
	<u>\$ 1,408,000</u>	<u>\$ 5,692</u>	<u>\$ 15,157</u>	<u>\$ 3,733</u>
	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 11,352</u>	<u>\$ 18,890</u>	<u>\$ -</u>	<u>\$ -</u>

The following tables detail the Group's expected maturities for some of its non-derivative financial assets. The tables below had been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2021

	1-6 Months	6 Months to 1 Year
<u>Non-derivative financial assets</u>		
Non-interest bearing assets	\$ 2,132,376	\$ -
Variable interest rate assets	607,535	-
Fixed interest rate assets	<u>8,674,707</u>	<u>-</u>
	<u>\$ 11,414,618</u>	<u>\$ -</u>

December 31, 2020

	1-6 Months	6 Months to 1 Year
<u>Non-derivative financial assets</u>		
Non-interest bearing assets	\$ 1,984,052	\$ -
Variable interest rate assets	879,877	-
Fixed interest rate assets	<u>7,283,065</u>	<u>-</u>
	<u>\$ 10,146,994</u>	<u>\$ -</u>

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

25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

Related parties and their relationships with the Group:

<u>Related Party</u>	<u>Related Party Categories and Relationship with the Group</u>
Sumco Corporation	Ultimate parent company
Sumco Techxiv Corporation	Parent of the Company
Sumco Technology Corporation	Sister company (subsidiary of Sumco Corporation)
Formosa Plastic Corporation	Investor with significant influence over the Group (equity-method investor holding 29.05% of the equity of the Company)
Formosa Technologies Corporation	Other (a director is the chairman of the Company)
Formosa Daikin Advanced Chemicals Co., Ltd.	Other (same chairman)
Formosa Heavy Industries Corporation	Other (same chairman)

Operating Transaction

a. Sales of goods

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2021	2020
Sales	Ultimate parent company (Sumco Corporation)	\$ 574,992	\$ 30,368
	Parent entity (Sumco Techxiv Corporation)	<u>1,848,353</u>	<u>1,840,765</u>
		<u>\$ 2,423,345</u>	<u>\$ 1,871,133</u>

The transaction prices are based on mutual agreement. The credit term are from the day the related party confirms the sale: (a) 60 days - parent entity; (b) 55 days - ultimate parent company.

b. Purchases of goods

Related Party Category	<u>For the Year Ended December 31</u>	
	2021	2020
Ultimate parent company (Sumco Corporation)	\$ 608,604	\$ 594,195
Parent company of the Company (Sumco Techxiv Corporation)	34,331	31,098
Investor with significant influence over the Group (Formosa Plastic Corporation)	25,743	21,517
Others (same chairman or a director is the chairman of the Company)	<u>23,153</u>	<u>19,040</u>
	<u>\$ 691,831</u>	<u>\$ 665,850</u>

The transaction prices are based on mutual agreement. Payments are due within the following number of days from the receipt of the Group's goods: (a) 30 to 70 days - parent entity; (b) 60 to 120 days - ultimate parent entity; and (c) immediately upon delivery - all other related parties.

Receivables from related parties are as follows:

Line Item	Related Party Category	December 31	
		2021	2020
Trade receivable	Ultimate parent company (Sumco Corporation)	\$ 131,392	\$ 29,674
	Parent entity (Sumco Techxiv Corporation)	<u>325,336</u>	<u>276,232</u>
		<u>\$ 456,728</u>	<u>\$ 305,906</u>

Payables to related parties are as below:

Line Item	Related Party Category	December 31	
		2021	2020
Trade payable	Ultimate parent entity (Sumco Corporation)	\$ 104,471	\$ 100,525
	Parent entity (Sumco Techxiv Corporation)	2,947	3,976
	Investor with significant influence over the Group (Formosa Plastic Corporation)	3,429	1,776
	Others (same chairman or a director is the chairman of the Company)	<u>1,304</u>	<u>259</u>
		<u>\$ 112,151</u>	<u>\$ 106,536</u>

The outstanding trade payables to related parties are unsecured and will be paid by cash. The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

- c. Commission income, income from sale of waste, other revenue and other receivables

	For the Year Ended December 31	
	2021	2020
Ultimate parent company (commission income, accounted for as other income; other revenue, accounted for as deduction of operating costs)	\$ 2,674	\$ 9,150
Sister company (selling waste income, accounted for as deduction of operating cost)	14,378	15,202
Investor with significant influence over the Group (other income)	<u>807</u>	<u>1,049</u>
	<u>\$ 17,859</u>	<u>\$ 25,401</u>
	December 31	
	2021	2020
Ultimate parent company (other receivables)	\$ -	\$ 1,288
Sister company (other receivables)	<u>1,221</u>	<u>1,341</u>
	<u>\$ 1,221</u>	<u>\$ 2,629</u>

d. Lease arrangements - the Group is lessee

	<u>December 31</u>	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Ultimate parent company (Sumco Corporation)	\$ -	\$ 18,526
Investors with significant influence over the Group (Formosa Plastic Corporation)	<u>-</u>	<u>6,668</u>
	<u>\$ -</u>	<u>\$ 25,194</u>

Line Item	Related Party Category	<u>December 31</u>	
		2021	2020
Lease liabilities	Ultimate parent company (Sumco Corporation)	\$ 9,777	\$ 14,691
	Investors with significant influence over the Group (Formosa Plastic Corporation)	<u>7,446</u>	<u>14,461</u>
		<u>\$ 17,223</u>	<u>\$ 29,152</u>

	Related Party Category	<u>For the Year Ended December 31</u>	
		2021	2020
<u>Interest expense</u>			
Ultimate parent company (Sumco Corporation)		\$ 134	\$ 186
Investors with significant influence over the Group (Formosa Plastic Corporation)		<u>124</u>	<u>200</u>
		<u>\$ 258</u>	<u>\$ 386</u>

The rent to the ultimate parent company for the lease of factory with 5-year lease term in January 2020 is based on the price agreed by the parties and paid in monthly. The rent to the related parties for the lease of land and offices with 5-year and 2-year lease term respectively in January 2020 and 2019 is based on the price agreed by the parties and paid in monthly and six-month periods.

e. Loans to related parties

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Interest income</u>		
Investor with significant influence over the Group (Formosa Plastic Corporation)	<u>\$ 13</u>	<u>\$ 18</u>

The Company issued a total loan of \$495,686 thousand to the investor with significant influence (Formosa Plastic Corporation) at 1% interest rate, which was unsecured and was recovered before June 30, 2021. The interest income from loan to the investor with significant influence (Formosa Plastic Corporation) was \$13 thousand.

The Company issued a total loan of \$644,780 thousand to the investor with significant influence (Formosa Plastic Corporation) at 1% interest rate, which was unsecured and was recovered before June 30, 2020. The interest income from loan to the investor with significant influence (Formosa Plastic Corporation) was \$18 thousand.

f. Loans from related parties

Japan Formosa Sumco Technology Corporation obtained a loan from the investor with significant influence (Formosa Plastic Corporation) which totaled \$495,686 thousand at 1% interest rate on June 9, 2021, and the loan was unsecured and was repaid by Japan Formosa Sumco Technology Corporation before June 30, 2021. The interest expense paid to the investor with significant influence (Formosa Plastic Corporation) for ended December 31, 2021 was \$13 thousand.

Japan Formosa Sumco Technology Corporation obtained a loan from the investor with significant influence (Formosa Plastic Corporation) which totaled \$644,870 thousand at 1% interest rate on June 9, 2020, and the loan was unsecured and was repaid by Japan Formosa Sumco Technology Corporation before June 30, 2020. The interest expense paid to the investor with significant influence (Formosa Plastic Corporation) for ended December 31, 2020 was \$18 thousand.

g. Other transactions with related parties

1) Manufacturing expense and accrued expenses - related parties

The repair and maintenance expenses which the Group paid to other related party (Formosa Technologies Corporation) were \$21,530 thousand and \$22,777 thousand for the years ended December 31, 2021 and 2020, respectively. The transaction amounts were based on mutual agreement and settled within the year.

The repair and maintenance expenses which the Group paid to other related party (Formosa Heavy Industries Corporation) were \$2,947 thousand for the years ended December 31, 2021. The transaction amounts were based on mutual agreement and settled within the year.

The production cost paid by the Group to its ultimate parent entity was \$191,378 thousand and \$196,489 thousand for the years ended December 31, 2021 and 2020, respectively. The outstanding payable was \$15,235 thousand and \$42,171 thousand accounted for as accrued expenses for the years ended 2021 and 2020, respectively, and will be paid in February of the subsequent year.

2) Acquisitions of equipment and payables for purchase of equipment - related parties

The Group acquired processing transportation system from other related parties (Formosa Heavy Industries Corporation) for the year ended December 31, 2021 with contract price of \$8,066 thousand, has been paid upon receipt.

The Group acquired video conference network system and distributed control system DCS from other related parties (Formosa Plastic Corporation) for the year ended December 31, 2021 with contract price of \$3,294 thousand, has been paid upon receipt.

The Group acquired software package from inventor with significant influence (Formosa Technologies Corporation) for the year ended December 31, 2021 with contract price of \$4,191 thousand, has been paid upon receipt.

The Group acquired a warehouse management system from other related party (Formosa Technologies Corporation) for the year ended December 31, 2020 at a contract price of \$54,000 thousand. The balance payable was \$2,700 thousand, as of December 31, 2020, which was recognized as payable for equipment to related parties (other payables) and has been paid upon receipt.

The Group acquired facial identity access control system from inventor with significant influence (Formosa Plastic Corporation) in the year December 31, 2021 with contract price of \$1,900 thousand and \$8,760 thousand, has been paid upon receipt.

The Group acquired production equipment from its ultimate parent company (Sumco Corporation) with contract price of \$195 thousand, has been paid upon receipt.

The Group acquired a warehouse management system from other related party (Formosa Technologies Corporation) for the year ended December 31, 2019 at a contract price of \$72,790 thousand. The balance payable was \$3,565 thousand as of December 31, 2020, which was recognized as payable for equipment to related parties (other payables) and has been paid upon receipt.

3) Other transactions

In December 2020, March, April, June, August, September, November 2021, the company has signed technical compensation arrangement with its ultimate parent company and acquired the technical know-how of silicon wafer production worth JPY13,000 thousand (NT\$3,098 thousand) in April, May, July, November and December 2021, has been paid JPY13,000 thousand (NT\$3,098 thousand) and was recognized as intangible assets (refer to Note 14)

In March and December 2020, the Company has signed technical compensation arrangement with its ultimate parent company and acquired the technical know-how of silicon wafer production worth JPY28,000 thousand (NT\$7,728 thousand) in March, April and December 2020, has been paid JPY28,000 thousand (NT\$7,728 thousand) and was recognized as intangible assets (refer to Note 14).

Under an existing agreement effective from 2003, the Company is obligated to pay recurring royalty fees to its parent company. The royalty fee was recognized as selling expenses for the years ended December 31, 2021 and 2020. The unpaid amount as of December 31, 2021 and 2020 was recognized as royalties payable to related parties (accounted for as other payables) and will be paid in February of the subsequent year.

In August 2010, the Company signed a technical right and support contract with its ultimate parent company. Under this contract, the Company receives support from the ultimate parent company in technical know-how and assistance in manufacturing of silicon wafer semiconductors. The Company has the obligation to pay recurring royalty fees to the ultimate parent company. The royalty fee was recognized as technical commission fees classified under selling expenses for the years ended December 31, 2021 and 2020. The unpaid amount as of December 31, 2021 and 2020, was recognized as royalties payable to related parties (other payables) and will be paid in February of the subsequent year.

The above-mentioned selling expenses and accrued expenses (other payables) that resulted from transactions with related parties are summarized as follows:

	For the Year Ended December 31	
	2021	2020
<u>Selling expenses (technical support expense)</u>		
Parent entity (Sumco Techxiv Corporation)	\$ 18,375	\$ 19,260
Ultimate parent entity (Sumco Corporation)	<u>232,171</u>	<u>191,474</u>
	<u>\$ 250,546</u>	<u>\$ 210,734</u>

	December 31	
	2021	2020
<u>Payable for royalties (other payables)</u>		
Parent entity (Sumco Techxiv Corporation)	\$ 18,375	\$ 19,260
Ultimate parent entity (Sumco Corporation)	<u>241,048</u>	<u>191,474</u>
	<u>\$ 259,423</u>	<u>\$ 210,734</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 18,767	\$ 20,928
Post-employment benefits	104	103
Other long-term employee benefits	<u>13</u>	<u>10</u>
	<u>\$ 18,884</u>	<u>\$ 21,041</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. The newly purchased machinery and equipment are exempt from tariff. Under the “estimated useful lives of fixed assets” enacted by Executive Yuan, should there be any capital reduction or other transfer of the machinery, equipment or components mentioned above to a third party, except those transferred to permitted businesses, the Company should pay supplementary import duties for the fixed assets.
- b. Amounts available under unused letters of credit as of December 31, 2021 were NT\$127,349, and the available under unused letters of credit were from purchasing machinery and equipment.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 137,542	27.690 (USD:NTD)	\$ 3,808,548
JPY	162,899	0.2404 (JPY:NTD)	<u>39,161</u>
			<u>\$ 3,847,709</u>
<u>Financial liabilities</u>			
Monetary items			
USD	11,687	27.690 (USD:NTD)	\$ 323,606
USD	2,409	115.183 (USD:JPY)	66,697
JPY	1,189,298	0.2404 (JPY:NTD)	<u>285,907</u>
			<u>\$ 676,210</u>

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 199,529	28.508 (USD:NTD)	\$ 5,688,181
JPY	55,488	0.2724 (JPY:NTD)	<u>15,115</u>
			<u>\$ 5,703,296</u>
<u>Financial liabilities</u>			
Monetary items			
USD	22,335	28.508 (USD:NTD)	\$ 636,731
USD	2,475	104.66 (USD:JPY)	70,556
JPY	1,410,760	0.2724 (JPY:NTD)	<u>384,291</u>
			<u>\$ 1,091,578</u>

The Group is mainly exposed to the USD and JPY. For the significant realized and unrealized foreign exchange gains (losses), refer to Note 20.

28. DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Note 25 and Table 5)
- 11) Information on investees (Table 6)

c. Information on investments in mainland China

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 (Table 7)

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods. The Group's only reportable segment for the years ended December 31, 2021 and 2020 is the silicon wafer segment as the Group's main activities are manufacturing and selling of silicon wafer electronic products. The accounting policy of the reportable segment is the same as Note 4 "summary of significant accounting policies".

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Silicon wafer segment	<u>\$ 12,166,313</u>	<u>\$ 11,934,697</u>	\$ 1,676,199	\$ 1,551,307
Miscellaneous income			16,162	19,404
Miscellaneous expense			<u>(928)</u>	<u>(2,734)</u>
Profit before tax			<u>\$ 1,691,433</u>	<u>\$ 1,567,977</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended December 31, 2021 and 2020.

Segment profit represents the profit earned by the silicon wafer segment without allocation of miscellaneous income (included in non-operating income) and miscellaneous expense (included in other profit and loss) and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's assets and liabilities information is not reported to chief management decision maker on a regular basis. Therefore, all the assets and liabilities are not allocated to the reportable segment.

c. Other segment information

	<u>Depreciation and Amortization</u>	
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Silicon wafer segment	<u>\$ 2,056,877</u>	<u>\$ 2,237,961</u>

d. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Silicon wafer	<u>\$ 12,166,313</u>	<u>\$ 11,934,697</u>

e. Geographical information

The Group operates mainly in Taiwan. Its revenue information by location of operations is described under "Segment revenue and results".

The Group sells and distributes its products mainly in two principal geographical locations - Taiwan and Japan.

The Group's sales revenue from external customers by their location are detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2021	2020
Taiwan	\$ 8,895,922	\$ 9,325,345
Japan	2,423,345	1,871,133
China	<u>847,046</u>	<u>738,219</u>
	<u>\$ 12,166,313</u>	<u>\$ 11,934,697</u>

f. Information about major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 2,972,026	\$ 2,830,493
Customer B	1,848,353	1,840,765
Customer C	<u>1,517,530</u>	<u>1,557,855</u>
	<u>\$ 6,337,909</u>	<u>\$ 6,229,113</u>

Note: The amount of revenue did not reach 10% of the Group's revenue.

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrower	Total Financing Amount Limits	Note
													Item	Value			
0	Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Receivables from related parties	Yes	\$ 743,000 (Notes 3 and 4)	\$ 743,000 (Notes 3 and 4)	\$ 398,142 (Note 6)	1.00%	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 2,085,276 (Note 8)	\$ 10,426,378 (Note 9)	
		Formosa Plastic Corporation	Receivables from related parties	Yes	743,000 (Notes 3 and 4)	- (Notes 3, 4 and 5)	- (Note 5)	1.00%	2	-	Operating capital	-	None	-	5,213,189 (Note 7)	10,426,378 (Note 9)	

Note 1: a. "0" financing provide.
b. "1" and onward coded based on reduce of companies inverted.

Note 2: a. "1" with trade transaction.
b. "2" the need for short-term financing.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 4: Financing period for Japan Formosa Technology Corporation is from June 10, 2021 to June 9, 2022.

Note 5: The Company recovered a \$495,686 thousand loan from Formosa Plastic Corporation before June 30, 2021.

Note 6: The amount was eliminated upon consolidation.

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	Ending Balance				Note
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
Formosa Sumco Technology Corporation	<u>Shares</u> Formosa Petrochemical Corporation	-	Financial asset at FVTOCI	3,247	\$ 311		\$ 311	

Note 1: The marketable securities listed above includes shares, bonds, beneficiary certificates, and all forms of securities listed under IFRS 9: Financial Instruments.

Note 2: As the issuer of the securities is an unrelated party, the relationship column is intentionally left blank.

Note 3: The carrying value equals the original cost of \$38 thousand plus the year-end valuation adjustment of \$273 thousand.

Note 4: Refer to Table 6 for further information on the above investee.

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Formosa Sumco Technology Corporation	Sumco Corporation	Ultimate parent company of Formosa Sumco Technology Corp.	Purchase	\$ 539,611	8.47	60 to 120 days from the receipt of the Company's goods	No significant difference	No significant difference	\$ (95,169)	(14.62)	
	Sumco Corporation	Ultimate parent company of Formosa Sumco Technology Corp.	Sale	574,992	4.73	Net 55 days from the end of the month of when invoice is issued	No significant difference	No significant difference	131,392	6.18	
	Sumco Techxiv Corporation	Parent Company of Formosa Sumco Technology Corp.	Sale	1,848,353	15.19	Net 60 days from the end of the month of when invoice is issued	No significant difference	No significant difference	325,336	15.30	
	Japan Formosa Sumco Technology Corporation	Subsidiary of Formosa Sumco Technology Corporation	Purchase	696,658	10.93	70 days receipts of the Company's goods	No significant difference	No significant difference	(177,123)	(27.21)	Note
Japan Formosa Sumco Technology Corporation	Formosa Sumco Technology Corporation	Parent company	Sale	696,658	100.00	70 days receipts of the Company's goods	No significant difference	No significant difference	177,123	100.00	Note

Note: The amount was eliminated upon consolidation.

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Formosa Sumco Technology Corporation	Sumco Techxiv Corporation	Parent company	\$ 325,336	6.15	\$ -	-	\$ 167,321	\$ -
	Sumco Corporation	Ultimate parent company	131,392	7.14	-	-	65,900	-
	Japan Formosa Sumco Technology Corporation	Subsidiary	400,123 (Notes 1 and 2)	Not applicable	-	-	-	-
Japan Formosa Sumco Technology Corporation	Formosa Sumco Technology Corporation	Parent company	177,123 (Note 2)	3.75	-	-	49,643	-

Note 1: Due to the Company's issuance of loans to Japan Formosa Sumco Technology Corporation, which includes the principal amount of \$398,142 thousand and interest of \$1,981 thousand.

Note 2: The amount was eliminated upon consolidation.

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
0	The Company	Japan Formosa Sumco Technology Corporation	Subsidiary	Purchases of goods	\$ 696,658	General terms	5.73
		"	"	Interest income	4,781	General terms	0.04
		"	"	Trade payables	177,123	General terms	0.75
		"	"	Other receivables (include interest receivables)	400,123	General terms	1.69

Note 1: The intercompany relationships are coded as blow:

- a. "0" parent company
- b. "1" and above coded based on the type of intercompany relationship.

Note 2: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2021, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2021.

Note 3: The amount was eliminated upon consolidation.

FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Japan	Manufacture and sale of high quality ingot and other related business	JPY 998,000 (NT\$ 248,390)	JPY 998,000 (NT\$ 248,390)	9,980	100	JPY 1,516,631 (NT\$ 361,244)	JPY 90,934 (NT\$ 23,189)	JPY 148,603 (NT\$ 37,823)	Notes 1 and 2

Note 1: Carrying amount and share of profit (loss) is calculated from the financial statements audited by the independent accountant and the percentage of ownership of the investor company.

Note 2: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transaction.

Note 3: Intercompany balances and transactions between the investor company and investee company have been eliminated upon consolidation.

TABLE 7**FORMOSA SUMCO TECHNOLOGY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sumco Techxiv Corporation	176,742,849	45.57
Formosa Plastic Corporation	112,707,716	29.05
Asia Pacific Investment Corporation	34,675,146	8.94

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day of the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders that have been delivered by the company without physical registration (including treasury shares) is more than 5%. The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

Formosa Sumco Technology Corporation

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Formosa Sumco Technology Corporation

Opinion

We have audited the accompanying financial statements of Formosa Sumco Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The 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 Company's financial statements for the year ended December 31, 2021. 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.

The key audit matter from the audit of the Company's financial statements is as below:

Revenue Recognition

The Company mainly manufactures and sells silicon wafers. For some of the major clients, the Company recognizes sales revenue when the goods have been delivered to the client's designated location and the client actually uses the goods in accordance with the agreement. As the above-mentioned sales revenue is significant for the year ended December 31, 2021, the occurrence of revenue recognition for the aforementioned type of sales revenue has been deemed as a key audit matter for the year ended December 31, 2021.

To address this matter, we evaluated the Company's revenue recognition policy and the relevant design and implementation of internal controls for this type of revenue, also performed test of related controls and substantive tests, selected samples of revenue for this type of sales, verified them against sales reports, the clients' transaction statements and related documents to confirm that the transactions for this type of sales had been occurred.

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.

The governing units of the Company, including those charged with governance, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 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 Company 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, 2021 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 Ching-Ting Yang and Wen-Yuan Chuang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 4, 2022

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.

FORMOSA SUMCO TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,265,740	39	\$ 7,849,353	34
Financial assets at amortized cost - current (Notes 4 and 8)	-	-	300,000	1
Trade receivables from unrelated parties (Notes 4, 9 and 19)	1,670,140	7	1,671,922	7
Trade receivables from related parties (Notes 4, 9, 19 and 25)	456,728	2	305,906	1
Other receivables from unrelated parties (Notes 4 and 9)	31,673	-	40,304	-
Other receivables from related parties (Notes 4, 9 and 25)	400,123	2	570,818	3
Inventories (Notes 4, 5 and 10)	2,785,019	12	2,846,980	12
Prepayments (Notes 4 and 15)	109,665	-	86,089	1
Total current assets	14,719,088	62	13,671,372	59
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	311	-	324	-
Investments accounted for using the equity method (Notes 4 and 11)	361,244	2	372,898	2
Property, plant and equipment (Notes 4, 12, 25 and 26)	8,332,307	35	8,828,182	38
Right-of-use assets (Notes 4, 13 and 25)	7,686	-	15,404	-
Intangible assets (Notes 4, 14 and 25)	7,963	-	6,564	-
Deferred tax assets (Notes 4 and 21)	269,662	1	227,629	1
Prepayments for equipment (Note 4)	85,517	-	9,492	-
Refundable deposits (Note 4)	205	-	205	-
Other non-current assets (Notes 4 and 15)	1,746	-	2,233	-
Total non-current assets	9,066,641	38	9,462,931	41
TOTAL	\$ 23,785,729	100	\$ 23,134,303	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	\$ 126,870	1	\$ 153,973	1
Trade payables to unrelated parties (Note 4)	370,897	2	359,133	2
Trade payables to related parties (Notes 4 and 25)	279,972	1	292,392	1
Other payables to unrelated parties (Notes 4, 16 and 20)	1,067,336	4	931,153	4
Other payables to related parties (Notes 4, 16 and 25)	259,423	1	216,999	1
Current tax liabilities (Notes 4 and 21)	360,479	1	341,282	1
Lease liability - current (Notes 4, 13 and 25)	4,068	-	7,740	-
Other current liabilities	11,412	-	11,306	-
Total current liabilities	2,480,457	10	2,313,978	10
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	28,495	-	20,930	-
Lease liability - non-current (Notes 4, 13 and 25)	3,744	-	7,812	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	401,904	2	375,686	2
Guarantee deposits (Note 4)	217	-	683	-
Other non-current liabilities	18,156	-	69,186	-
Total non-current liabilities	452,516	2	474,297	2
Total liabilities	2,932,973	12	2,788,275	12
EQUITY (Notes 4, 18 and 23)				
Share capital				
Ordinary shares	3,878,483	16	3,878,483	17
Capital surplus	5,739,249	24	5,739,235	25
Retained earnings				
Legal reserve	2,424,699	11	2,293,240	10
Unappropriated earnings	8,839,600	37	8,414,855	36
Total retained earnings	11,264,299	48	10,708,095	46
Other equity	(29,275)	-	20,215	-
Total equity	20,852,756	88	20,346,028	88
TOTAL	\$ 23,785,729	100	\$ 23,134,303	100

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 25)	\$ 12,166,313	100	\$ 11,934,697	100
OPERATING COSTS (Notes 10, 14, 17, 20 and 25)	<u>(9,677,645)</u>	<u>(79)</u>	<u>(9,574,548)</u>	<u>(80)</u>
GROSS PROFIT	<u>2,488,668</u>	<u>21</u>	<u>2,360,149</u>	<u>20</u>
OPERATING EXPENSES (Notes 17, 20 and 25)				
Marketing	(460,797)	(4)	(346,369)	(3)
Administrative	<u>(270,124)</u>	<u>(2)</u>	<u>(224,575)</u>	<u>(2)</u>
Total operating expenses	<u>(730,921)</u>	<u>(6)</u>	<u>(570,944)</u>	<u>(5)</u>
INCOME FROM OPERATIONS	<u>1,757,747</u>	<u>15</u>	<u>1,789,205</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 25)				
Interest income	26,671	-	50,938	1
Other income	16,161	-	19,306	-
Other gains and losses	(158,065)	(1)	(332,570)	(3)
Finance costs	(247)	-	(846)	-
Share of profit of subsidiaries	<u>37,823</u>	<u>-</u>	<u>18,352</u>	<u>-</u>
Total non-operating income and expenses	<u>(77,657)</u>	<u>(1)</u>	<u>(244,820)</u>	<u>(2)</u>
INCOME BEFORE INCOME TAX	1,680,090	14	1,544,385	13
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(269,320)</u>	<u>(2)</u>	<u>(236,474)</u>	<u>(2)</u>
NET INCOME	<u>1,410,770</u>	<u>12</u>	<u>1,307,911</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(25,865)	-	8,343	-
Unrealized gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income	(13)	-	7	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	5,173	-	(1,669)	-

(Continued)

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (49,477)	(1)	\$ (5,882)	-
Other comprehensive income (loss) for the year, net of income tax	(70,182)	(1)	799	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,340,588</u>	<u>11</u>	<u>\$ 1,308,710</u>	<u>11</u>
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 3.64</u>		<u>\$ 3.37</u>	
Diluted earnings per share	<u>\$ 3.64</u>		<u>\$ 3.37</u>	

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

(Concluded)

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Share Capital'	Capital Surplus	Retained Earnings		Exchange Difference on Translating Foreign Operations	Others		Total	Total Equity
			Legal Reserve	Unappropriated Earnings		Total	Unrealized Gain (Loss) on Investments in Financial Assets Designated as at FVTOCI		
BALANCE AT JANUARY 1, 2020	\$ 3,878,483	\$ 5,739,217	\$ 2,080,660	\$ 8,670,319	\$ 10,750,979	\$ 25,811	\$ 279	\$ 26,090	\$ 20,394,769
Appropriations of 2019 earnings									
Legal reserve	-	-	212,580	(212,580)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,357,469)	(1,357,469)	-	-	-	(1,357,469)
	-	-	212,580	(1,570,049)	(1,357,469)	-	-	-	(1,357,469)
Dividends expired and uncollected by shareholders	-	18	-	-	-	-	-	-	18
Net income in 2020	-	-	-	1,307,911	1,307,911	-	-	-	1,307,911
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	6,674	6,674	(5,882)	7	(5,875)	799
Total comprehensive income (loss) in 2020	-	-	-	1,314,585	1,314,585	(5,882)	7	(5,875)	1,308,710
BALANCE AT DECEMBER 31, 2020	3,878,483	5,739,235	2,293,240	8,414,855	10,708,095	19,929	286	20,215	20,346,028
Appropriations of 2020 earnings									
Legal reserve	-	-	131,459	(131,459)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(833,874)	(833,874)	-	-	-	(833,874)
	-	-	131,459	(965,333)	(833,874)	-	-	-	(833,874)
Dividends expired and uncollected by shareholders	-	14	-	-	-	-	-	-	14
Net income in 2021	-	-	-	1,410,770	1,410,770	-	-	-	1,410,770
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	(20,692)	(20,692)	(49,477)	(13)	(49,490)	(70,182)
Total comprehensive income (loss) in 2021	-	-	-	1,390,078	1,390,078	(49,477)	(13)	(49,490)	1,340,588
BALANCE AT DECEMBER 31, 2021	\$ 3,878,483	\$ 5,739,249	\$ 2,424,699	\$ 8,839,600	\$ 11,264,299	\$ (29,548)	\$ 273	\$ (29,275)	\$ 20,852,756

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,680,090	\$ 1,544,385
Adjustments for:		
Depreciation expenses	1,953,652	2,126,470
Amortization expenses	1,699	1,164
Interest expense	247	846
Interest income	(26,671)	(50,938)
Dividend income	(2)	(9)
Share of profit of subsidiaries	(37,823)	(18,352)
Gain on disposal of property, plant and equipment	(68)	(1)
Write-down of inventories	15,324	8,347
Net loss on foreign exchange	43,776	78,530
Changes in operating assets and liabilities		
Trade receivables	(157,250)	(19,565)
Other receivables	4,213	868
Inventories	46,636	(67,850)
Prepayments	(23,575)	48,418
Contract liabilities	(27,103)	84,381
Trade payables	(7,607)	5,300
Other payables	399,399	(177,243)
Other current liabilities	106	2,181
Net defined benefit liabilities	1,288	139
Cash generated from operations	3,866,331	3,567,071
Interest received	32,581	51,390
Dividends received	2	9
Interest paid	(247)	(846)
Income tax paid	(280,353)	(107,161)
Net cash generated from operating activities	<u>3,618,314</u>	<u>3,510,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial asset at amortized cost	-	(300,000)
Disposal of financial asset at amortized cost	300,000	-
Payments for property, plant and equipment	(1,661,500)	(657,896)
Disposal on property, plant and equipment	91	1
Decrease in refundable deposits	-	4
Decrease in other receivables - related parties	143,713	112,958
Payments for intangible assets	(3,098)	(7,728)
Decrease in other non-current assets	487	-
Increase in other non-current assets	-	(2,233)
Increase in prepayments for equipment	(85,452)	(18,894)
Net cash used in investing activities	<u>(1,305,759)</u>	<u>(873,788)</u>

(Continued)

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	\$ -	\$ 436
Decrease in guarantee deposits received	(466)	-
Lease liabilities principal repayment	(7,740)	(7,654)
Increase in other non-current liabilities	-	9,071
Decrease in other non-current liabilities	(51,030)	-
Dividends paid to owners of the Company	<u>(833,807)</u>	<u>(1,357,405)</u>
Net cash used in financing activities	<u>(893,043)</u>	<u>(1,355,552)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(3,125)</u>	<u>(45,399)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,416,387	1,235,724
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,849,353</u>	<u>6,613,629</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 9,265,740</u>	<u>\$ 7,849,353</u>

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

(Concluded)

FORMOSA SUMCO TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. GENERAL INFORMATION

Formosa Sumco Technology Corporation (the “Company”, formerly Formosa Komatsu Silicon Corporation) was established by Formosa Plastics Corporation, Asia Pacific Investment Corporation and Komatsu Electronic Metals Co., Ltd. The Company was incorporated in the Republic of China (“ROC”) in and commenced business in November 1995. The Company mainly manufactures, sells, and trades silicon wafers.

On October 18, 2006, Sumco Corporation acquired 51% of the equity in Komatsu Electronic Metals Co., Ltd. As the result, the Company’s name was changed to Formosa Sumco Technology Corporation in accordance with the resolution passed at the general shareholders’ meeting on December 29, 2006, and this name change was registered with the Ministry of Economic Affairs, Republic of China. In addition, Komatsu Electronic Metals Co., Ltd. changed its name to Sumco Techxiv Corporation.

The Company became publicly listed on September 12, 2006, and its shares have been listed and started trading on the Emerging Stock Board (ESB) on November 23, 2006. The Company was subsequently listed and started trading on the Taiwan Stock Exchange since December 10, 2007.

The Company’s parent is Sumco Techxiv Corporation, which held 45.57% of the ordinary shares of the Company as of December 31, 2021 and 2020. The Company’s ultimate parent is Sumco Corporation.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 4, 2022.

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

- a. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except for deferred taxes that will be 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The 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 net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the 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 the asset or liability.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. 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 as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries, and the related equity items, as appropriate, in these 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 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 Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary 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 on 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 case, 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 translated using the exchange rate at the date of the transaction.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the monthly 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. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

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.

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's 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 accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an 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) Derecognition of intangible assets

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

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

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 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 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 for 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.

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by 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:

- 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 the financial asset; and
- Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

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 as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, 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 at amortized cost (including trade receivables).

The Company always recognizes lifetime Expected Credit Losses (i.e. ECLs) for trade 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 the 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.

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.

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 asset to another party.

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

2) Equity instruments

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

Equity instruments issued by the 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. 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. Revenue recognition

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

1) Revenue from the sale of goods

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from consignment services. The Company is an agent and its performance obligation is the provision of consignment services. The Company recognizes revenue in the net amount of consideration received or receivable when the goods that are consigned are transferred to the customer and the Company has no further obligation to the customer.

l. Leasing

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

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 consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, 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, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the 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.

o. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax 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 forwards, and unused tax credits for purchases of machinery and equipment 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 period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 tax for the year

Current and deferred tax 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 tax 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgements

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and therefore, the Company uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid advancement in technology, the Company estimates the net realizable value of inventories for obsolete and unmarketable items at the end of the reporting period and then writes down the cost of inventories to their net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, and hence may result in significant changes. The carrying amounts of inventories as of December 31, 2021 and 2020 are disclosed in Note 10.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 8	\$ -
Checking accounts	2,543	336
Demand deposits	564	546
Foreign currency deposits	589,622	868,539
Cash equivalents (investments with original maturities of less than 3 months)		
Commercial papers	1,574,086	754,923
Repurchase agreements collateralized by bonds	1,683,130	1,367,261
Time deposits	<u>5,415,787</u>	<u>4,857,748</u>
	<u>\$ 9,265,740</u>	<u>\$ 7,849,353</u>

The market rate intervals of cash in bank, commercial papers and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2021	2020
Demand deposits	0.02%	0.02%
Foreign currency deposits	0.0001%-0.01%	0.01%
Commercial papers	0.25%-0.37%	0.22%-0.27%
Repurchase agreements collateralized by bonds	0.25%-0.30%	0.22%-0.24%
Time deposits	0.31%-0.38%	0.33%-0.42%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - Formosa Petrochemical Corporation	<u>\$ 311</u>	<u>\$ 324</u>

The Company invested in the ordinary shares of Formosa Petrochemical Corporation for long-term strategy purposes, and expects to profit from the shares through long-term investment. 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.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ -	\$ <u>300,000</u>

The interest rates for time deposits with original maturities of more than 3 months was 0.42% for December 31, 2020.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount		
Trade receivables from unrelated parties	\$ 1,670,140	\$ 1,671,922
Trade receivables from related parties	456,728	305,906
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 2,126,868</u>	<u>\$ 1,977,828</u>
<u>Other receivables</u>		
Tax refund receivables (sales tax)	\$ 30,142	\$ 37,250
Others	<u>1,531</u>	<u>3,054</u>
	<u>\$ 31,673</u>	<u>\$ 40,304</u>
<u>Other receivables - related parties</u>		
Receivables from loans to related parties - fixed interest rate	\$ 398,142	\$ 567,285
Receivables from interest from related parties	1,981	2,245
Others	<u>-</u>	<u>1,288</u>
	<u>\$ 400,123</u>	<u>\$ 570,818</u>

Trade Receivables

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

The Company provides for expected credit losses based on the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for 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 economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 2,126,868	\$ -	\$ -	\$ -	\$ -	\$ 2,126,868
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 2,126,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,126,868</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 1,977,828	\$ -	\$ -	\$ -	\$ -	\$ 1,977,828
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 1,977,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,977,828</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 758,756	\$ 698,121
Supplies	1,070,445	1,082,442
Work in progress	452,289	491,412
Finished goods	613,310	684,831
Merchandise inventories	22,813	7,444
Less: Allowance for inventory write-downs	<u>(132,594)</u>	<u>(117,270)</u>
	<u>\$ 2,785,019</u>	<u>\$ 2,846,980</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$9,677,645 thousand and \$9,574,548 thousand, respectively.

The cost of goods sold for the year ended December 31, 2021 included reversal of inventory write-downs of \$15,324 thousand and income from the sale of silicon waste of \$58,276 thousand, respectively.

The cost of goods sold for the year ended December 31, 2020 included reversal of inventory write-downs of \$8,347 thousand and income from the sale of silicon waste of \$31,427 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Japan Formosa Sumco Technology Corporation	<u>\$ 361,244</u>	<u>\$ 372,898</u>
	<u>% of Ownership and Voting Rights</u>	
	<u>December 31</u>	
Investee	2021	2021
Japan Formosa Sumco Technology Corporation	100%	100%

The share of net income or loss and other comprehensive income from subsidiaries accounted for using the equity method in the years 2021 and 2020 were based on the subsidiaries' audited financial statements for the same reporting periods as the Company.

12. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Company

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 120,906	\$ 3,933,248	\$ 32,366,952	\$ 903,531	\$ 1,040,953	\$ 38,365,590
Additions	-	-	22,761	34,747	1,392,574	1,450,082
Reclassifications	-	11,281	1,517,783	75,696	(1,604,760)	-
Disposals	-	-	(389,440)	(405,120)	-	(794,560)
Balance at December 31, 2021	<u>\$ 120,906</u>	<u>\$ 3,944,529</u>	<u>\$ 33,518,056</u>	<u>\$ 608,854</u>	<u>\$ 828,767</u>	<u>\$ 39,021,112</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 1,573,175	\$ 27,224,744	\$ 739,489	\$ -	\$ 29,537,408
Disposals	-	-	(389,440)	(405,097)	-	(794,537)
Depreciation expense	-	111,725	1,779,139	55,070	-	1,945,934
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,684,900</u>	<u>\$ 28,614,443</u>	<u>\$ 389,462</u>	<u>\$ -</u>	<u>\$ 30,688,805</u>
Carrying amount at December 31, 2021	<u>\$ 120,906</u>	<u>\$ 2,259,629</u>	<u>\$ 4,903,613</u>	<u>\$ 219,392</u>	<u>\$ 828,767</u>	<u>\$ 8,332,307</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 120,906	\$ 3,901,905	\$ 31,164,034	\$ 793,609	\$ 1,497,235	\$ 37,477,689
Additions	-	-	18,275	65,070	827,181	910,526
Reclassifications	-	31,343	1,200,097	52,023	(1,283,463)	-
Disposals	-	-	(15,454)	(7,171)	-	(22,625)
Balance at December 31, 2020	<u>\$ 120,906</u>	<u>\$ 3,933,248</u>	<u>\$ 32,366,952</u>	<u>\$ 903,531</u>	<u>\$ 1,040,953</u>	<u>\$ 38,365,590</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 1,462,462	\$ 25,270,295	\$ 708,524	\$ -	\$ 27,441,281
Disposals	-	-	(15,454)	(7,171)	-	(22,625)
Depreciation expense	-	110,713	1,969,903	38,136	-	2,118,752
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,573,175</u>	<u>\$ 27,224,744</u>	<u>\$ 739,489</u>	<u>\$ -</u>	<u>\$ 29,537,408</u>
Carrying amount at December 31, 2020	<u>\$ 120,906</u>	<u>\$ 2,360,073</u>	<u>\$ 5,142,208</u>	<u>\$ 164,042</u>	<u>\$ 1,040,953</u>	<u>\$ 8,828,182</u>

(Concluded)

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

Buildings

Real estate, dormitories, warehouses, and readiness rooms 23-35 years

Wastewater treatment area and strain tanks 15-35 years

Machinery and equipment 5-12 years

Other equipment 3-12 years

The Company did not have impairment of property, plant and equipment in 2021 and 2020.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 7,325	\$ 10,988
Buildings	<u>361</u>	<u>4,416</u>
	<u>\$ 7,686</u>	<u>\$ 15,404</u>

The Company signed a technical cooperation arrangement with Sumco Corporation with a total fee of JPY13,000 thousand (NT\$3,098 thousand) in December 2020, March, April, June, August, September and November 2021 has been paid JPY13,000 thousand (NT\$3,098 thousand) in April, May, July, November and December 2021, and are amortized over a period of 60 months.

The Company signed a technical cooperation arrangement with Sumco Corporation with a total fee of JPY28,000 thousand (NT\$7,728 thousand) in March and December 2020 has been paid JPY28,000 thousand (NT\$7,728 thousand) in March, April and December 2020, and are amortized over a period of 60 months.

The amortization expense in the years 2021 was \$1,699 thousand. The amortization expense is accounted for as technical corporation expense under operating costs.

The amortization expense in the years 2020 was \$1,164 thousand. The amortization expense is accounted for as technical corporation expense under operating costs.

15. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Prepayments	\$ 109,665	\$ 86,089
Others (including electricity subsidies)	<u>1,746</u>	<u>2,233</u>
	<u>\$ 111,411</u>	<u>\$ 88,322</u>
Current	\$ 109,665	\$ 86,089
Non-current	<u>1,746</u>	<u>2,233</u>
	<u>\$ 111,411</u>	<u>\$ 88,322</u>

16. OTHER LIABILITIES

	<u>December 31</u>	
	2021	2020
<u>Other payables - current</u>		
Payables for purchase of equipment	\$ 203,333	\$ 417,913
Payables for salary and bonus	599,809	308,058
Payables for insurance	34,033	27,615
Payables for utilities	55,661	53,682
Payables for dividends	155	102
Others (Note)	<u>174,345</u>	<u>123,783</u>
	<u>\$ 1,067,336</u>	<u>\$ 931,153</u>
<u>Other payables - related parties (current)</u>		
Payables for purchase of equipment - related parties	\$ -	\$ 6,265
Payables for royalties - related parties	<u>259,423</u>	<u>210,734</u>
	<u>\$ 259,423</u>	<u>\$ 216,999</u>

Note: Others included under other payables - current are mainly payables for project fees, pension cost, employees' compensation and taxation.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six 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 included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 574,164	\$ 539,439
Fair value of plan assets	<u>(172,260)</u>	<u>(163,753)</u>
Net defined benefit liabilities	<u>\$ 401,904</u>	<u>\$ 375,686</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 535,186</u>	<u>\$ (151,296)</u>	<u>\$ 383,890</u>
Service cost			
Current service cost	3,075	-	3,075
Net interest expense (income)	<u>5,352</u>	<u>(1,544)</u>	<u>3,808</u>
Recognized in profit or loss	<u>8,427</u>	<u>(1,544)</u>	<u>6,883</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (4,169)	\$ (4,169)
Actuarial (gain) loss - experience adjustments	<u>(4,174)</u>	<u>-</u>	<u>(4,174)</u>
Recognized in other comprehensive income	<u>(4,174)</u>	<u>(4,169)</u>	<u>(8,343)</u>
Contributions from the employer	<u>-</u>	<u>(6,744)</u>	<u>(6,744)</u>
Balance at December 31, 2020	<u>539,439</u>	<u>(163,753)</u>	<u>375,686</u>
Service cost			
Current service cost	3,012	-	3,012
Net interest expense (income)	<u>5,394</u>	<u>(1,669)</u>	<u>3,725</u>
Recognized in profit or loss	<u>8,406</u>	<u>(1,669)</u>	<u>6,737</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(454)	(454)
Actuarial (gain) loss - experience adjustments	<u>26,319</u>	<u>-</u>	<u>26,319</u>
Recognized in other comprehensive income	<u>26,319</u>	<u>(454)</u>	<u>25,865</u>
Contributions from the employer	<u>-</u>	<u>(6,384)</u>	<u>(6,384)</u>
Balance at December 31, 2021	<u>\$ 574,164</u>	<u>\$ (172,260)</u>	<u>\$ 401,904</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the 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:

	<u>December 31</u>	
	2021	2020
Discount rates	0.50%	1.00%
Expected rates of salary increase	2.85%	2.85%

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:

	<u>December 31</u>	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (15,910)</u>	<u>\$ (18,045)</u>
0.25% decrease	<u>\$ 16,526</u>	<u>\$ 18,859</u>
Expected rates of salary increase		
1% increase	<u>\$ 68,505</u>	<u>\$ 79,994</u>
1% decrease	<u>\$ (60,148)</u>	<u>\$ (68,437)</u>

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.

	<u>December 31</u>	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 6,812</u>	<u>\$ 6,249</u>
The average duration of the defined benefit obligation	13.3 years	16.0 years

18. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>775,697</u>	<u>775,697</u>
Shares authorized	<u>\$ 7,756,966</u>	<u>\$ 7,756,966</u>
Number of shares issued and fully paid (in thousands)	<u>387,848</u>	<u>387,848</u>
Shares issued	<u>\$ 3,878,483</u>	<u>\$ 3,878,483</u>

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

b. Capital surplus

	<u>December 31</u>	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares (1)	\$ 5,739,080	\$ 5,739,080
<u>May be used to offset a deficit only</u>		
Dividends expired and uncollected by shareholders (2)	<u>169</u>	<u>155</u>
	<u>\$ 5,739,249</u>	<u>\$ 5,739,235</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 to once a year).
 - 2) Accounted for as capital surplus - others, and may be used only to offset a deficit.
- c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, 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 and supervisors before and after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 20 (g).

The Company belongs to a high-tech capital intensive industry and it is in the growth phase. To support the Company's growth, the Company has three different methods to distribute dividends, including cash dividends, capitalization of retained earnings, and capital surplus, and no more than 80% of distributable surplus should be distributed from the legal reserve and special reserve. In principle, cash dividends should be distributed first, and the aggregate of capitalized retained earnings and capital surplus shall not exceed 50% of total dividends.

An 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 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 appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings on July 28, 2021 and on June 11, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	\$ 131,459	\$ 212,580		
Cash dividends	833,874	1,357,469	\$ 2.15	\$ 3.50

The appropriations of earnings for 2021 had been proposed by the Company's board of directors on March 4, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 139,008	
Special reserve	29,275	
Cash dividends	861,023	\$2.22

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 17, 2022.

d. Other equity items

The exchange differences arising on translation of foreign operations' net assets from their functional currencies to the Company's presentation currency (NTD) are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the exchange differences on translating foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income, excluding those available-for-sale financial assets that have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified into profit or loss.

19. REVENUE

	<u>For the Year Ended December 31</u>	
	2021	2020
Revenue from the sale of goods	<u>\$ 12,166,313</u>	<u>\$ 11,934,697</u>

Contract Balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (Note 9)	<u>\$ 2,126,868</u>	<u>\$ 1,977,828</u>	<u>\$ 1,973,598</u>
Contract assets	<u>\$ 126,870</u>	<u>\$ 153,973</u>	<u>\$ 69,592</u>

20. NET INCOME

a. Interest income

	<u>For the Year Ended December 31</u>	
	2021	2020
Bank deposits	\$ 19,755	\$ 43,640
Financial assets at amortized cost	2,122	957
Others	<u>4,794</u>	<u>6,341</u>
	<u>\$ 26,671</u>	<u>\$ 50,938</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2021	2020
Dividend income	\$ 2	\$ 9
Others (including commission income, etc.)	<u>16,159</u>	<u>19,297</u>
	<u>\$ 16,161</u>	<u>\$ 19,306</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange losses	\$ (157,212)	\$ (329,850)
Gain on disposal of property, plant and equipment	68	1
Others	<u>(921)</u>	<u>(2,721)</u>
	<u>\$ (158,065)</u>	<u>\$ (332,570)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on lease liability	\$ 132	\$ 217
Interest expense	<u>115</u>	<u>629</u>
	<u>\$ 247</u>	<u>\$ 846</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 1,941,871	\$ 2,115,619
Operating expenses	<u>11,781</u>	<u>10,851</u>
	<u>\$ 1,953,652</u>	<u>\$ 2,126,470</u>
An analysis of amortization by function		
Operating costs	\$ 1,699	\$ 1,164
Operating expenses	<u>-</u>	<u>-</u>
	<u>\$ 1,699</u>	<u>\$ 1,164</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (see Note 17)		
Defined contribution plans	\$ 59,659	\$ 56,490
Defined benefit plans	<u>6,737</u>	<u>6,883</u>
	66,396	63,373
Salary and bonus etc.	<u>1,824,269</u>	<u>1,547,994</u>
	<u>\$ 1,890,665</u>	<u>\$ 1,611,367</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,675,687	\$ 1,429,199
Operating expenses	<u>214,978</u>	<u>182,168</u>
	<u>\$ 1,890,665</u>	<u>\$ 1,611,367</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at rates of no less than 0.05% and no higher than 0.5%, respectively, of net profit before income tax excluding employees' compensation. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March 4, 2022 and March 23, 2021, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	0.300%	0.300%
Remuneration of directors and supervisors	-	-

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 5,055	\$ 4,647
Remuneration of directors and supervisors	-	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Foreign exchange gains	\$ 129,838	\$ 113,814
Foreign exchange losses	<u>(287,050)</u>	<u>(443,664)</u>
Net losses	<u>\$ (157,212)</u>	<u>\$ (329,850)</u>

21. INCOME TAX

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 280,168	\$ 280,282
Income tax expense of unappropriated earnings	17,463	27,156
Adjustments for prior years	984	(54,276)
Deferred tax		
In respect of the current year	<u>(29,295)</u>	<u>(16,688)</u>
Income tax expense recognized in profit or loss	<u>\$ 269,320</u>	<u>\$ 236,474</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before income tax	<u>\$ 1,680,090</u>	<u>\$ 1,544,385</u>
Income tax expense calculated at the statutory rate (20%)	\$ 336,018	\$ 308,877
Nondeductible expense in determining taxable income	2	298
Tax-exempt income	(51,303)	(45,581)
Income tax on unappropriated earnings	17,463	27,156
Recognized investment credits	(33,844)	-
Adjustments for prior years' tax	<u>984</u>	<u>(54,276)</u>
Income tax expense recognized in profit or loss	<u>\$ 269,320</u>	<u>\$ 236,474</u>

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	<u>\$ 5,173</u>	<u>\$ (1,669)</u>
Total income tax recognized in other comprehensive income	<u>\$ 5,173</u>	<u>\$ (1,669)</u>

- c. Current tax liabilities

	December 31	
	2021	2020
Income tax payable	<u>\$ 360,479</u>	<u>\$ 341,282</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on the difference in timing of translation of foreign currency assets and liabilities	\$ 7,348	\$ (628)	\$ -	\$ 6,720
Allowance for inventory write-offs	23,454	3,065	-	26,519
Defined benefit obligation	72,627	70	5,173	77,870
Difference in depreciation method of machinery and equipment	111,039	34,353	-	145,392
Others	<u>13,161</u>	<u>-</u>	<u>-</u>	<u>13,161</u>
	<u>\$ 227,629</u>	<u>\$ 36,860</u>	<u>\$ 5,173</u>	<u>\$ 269,662</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ (20,930)</u>	<u>\$ (7,565)</u>	<u>\$ -</u>	<u>\$ (28,495)</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on the difference in timing of translation of foreign currency assets and liabilities	\$ 15,691	\$ (8,343)	\$ -	\$ 7,348
Allowance for inventory write-offs	21,785	1,669	-	23,454
Defined benefit obligation	74,269	27	(1,669)	72,627
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Difference in depreciation method of machinery and equipment	\$ 83,279	\$ 27,760	\$ -	\$ 111,039
Others	<u>13,899</u>	<u>(738)</u>	<u>-</u>	<u>13,161</u>
	<u>\$ 208,923</u>	<u>\$ 20,375</u>	<u>\$ (1,669)</u>	<u>\$ 227,629</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ (17,243)</u>	<u>\$ (3,687)</u>	<u>\$ -</u>	<u>\$ (20,930)</u> (Concluded)

e. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Net income	<u>\$ 1,410,770</u>	<u>\$ 1,307,911</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share (in thousands)	387,848	387,848
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>25</u>	<u>45</u>
Weighted average number of ordinary shares used for the computation of diluted earnings per share (in thousands)	<u>387,873</u>	<u>387,893</u>

If the Company offered to settle bonuses or compensation paid to employees in shares or cash, the Company assumed the entire amount of the bonus or compensation would 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, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. CAPITAL MANAGEMENT

In consideration of the prevailing industry dynamics and the future development as well as the changes in the external economic environment, the Company manages its working capital and dividend payments in the future, to ensure that the Company will be able to continue as a going concern while maximizing the returns to shareholders as well as other related parties through the optimization of capital structure.

The Company could make adjustments to dividends or issue new shares in order to maintain or adjust the capital structure.

24. FINANCIAL INSTRUMENTS

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

The Company's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Securities listed in the ROC				
Equity securities	\$ 311	\$ -	\$ -	\$ 311

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Securities listed in the ROC				
Equity securities	\$ 324	\$ -	\$ -	\$ 324

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 11,794,467	\$ 10,701,258
Financial assets at FVTOCI		
Equity instruments	311	324
<u>Financial liabilities</u>		
Amortized cost (2)	1,358,732	1,473,512

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables (excluding sales tax refund receivables), and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise trade and other payables (excluding payables for salary and bonus, employees' compensation, pension cost, and taxation), and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, and bank borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar (USD) and Japanese Yen (JPY).

The following table details the Company's sensitivity to a 10% increase and decrease in NTD (the functional currency) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the NTD weakening 10% against the relevant currency. For a 10% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact		JPY Impact	
	For the Year Ended December 31 2021	2020	For the Year Ended December 31 2021	2020
Profit or loss	\$ 348,494 (i)	\$ 505,145 (i)	\$ 13,603 (ii)	\$ 20,035 (ii)

- i. This was mainly attributable to the exposure outstanding on cash, receivables and payables in USD, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure to outstanding on cash, receivables and payables in JPY, which were not hedged, at the end of the reporting period.

The Company's sensitivity to foreign currency decreased during the current year mainly due to the decrease of USD foreign currency deposits. The Company's sensitivity to foreign currency decreased during the current period mainly due to the decrease of trade receivables in JPY.

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 9,071,145	\$ 7,847,217
Cash flow interest rate risk		
Financial assets	590,186	869,085

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$5,902 thousand and \$8,691 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on floating rate bank deposits.

The Company's sensitivity to interest rates was not significantly different for the years ended December 31, 2021 and 2020.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables.

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

The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for the clients with trade receivables accounting for 10% of total monetary assets. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of total monetary assets at any time during the years ended December 31, 2021 and 2020.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents, highly liquid marketable securities, and sufficient bank borrowings deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate table

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2021

	1-6 Months	6 Months to 1 Year	1-3 Years	3+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,358,732	\$ -	\$ -	\$ -
Lease liabilities	<u>2,212</u>	<u>1,856</u>	<u>3,744</u>	<u>-</u>
	<u>\$ 1,360,944</u>	<u>\$ 1,856</u>	<u>\$ 3,744</u>	<u>\$ -</u>
	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 4,068</u>	<u>\$ 3,744</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	1-6 Months	6 Months to 1 Year	1-3 Years	3+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,473,512	\$ -	\$ -	\$ -
Lease liabilities	<u>3,859</u>	<u>3,881</u>	<u>7,812</u>	<u>-</u>
	<u>\$ 1,477,371</u>	<u>\$ 3,881</u>	<u>\$ 7,812</u>	<u>\$ -</u>

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	\$ <u>7,740</u>	\$ <u>7,812</u>	\$ <u>-</u>	\$ <u>-</u>

The following tables detail the Company's expected maturities for some of its non-derivative financial assets. The tables below had been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2021

	1-6 Months	6 Months to 1 Year
<u>Non-derivative financial assets</u>		
Non-interest bearing assets	\$ 2,131,156	\$ -
Variable interest rate assets	590,187	-
Fixed interest rate assets	<u>9,074,746</u>	<u>-</u>
	<u>\$ 11,796,089</u>	<u>\$ -</u>

December 31, 2020

	1-6 Months	6 Months to 1 Year
<u>Non-derivative financial assets</u>		
Non-interest bearing assets	\$ 1,982,711	\$ -
Variable interest rate assets	869,172	-
Fixed interest rate assets	<u>7,852,594</u>	<u>-</u>
	<u>\$ 10,704,477</u>	<u>\$ -</u>

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

25. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its related parties are disclosed below.

Related parties and their relationships with the Company:

<u>Related Party</u>	<u>Related Party Category and Relationship with the Company</u>
Sumco Corporation	Ultimate parent company
Sumco Techxiv Corporation	Parent of the Company
Sumco Technology Corporation	Sister company (subsidiary of Sumco Corporation)

(Continued)

<u>Related Party</u>	<u>Related Party Category and Relationship with the Company</u>
Japan Formosa Sumco Technology Corporation	Subsidiary of the Company
Formosa Plastic Corporation	Investor with significant influence over the Company (equity-method investor holding 29.05% of the equity of the Company)
Formosa Technologies Corporation	Other (a director is the chairman of the Company)
Formosa Daikin Advanced Chemicals Co., Ltd.	Other (same chairman)
Formosa Heavy Industries Corporation	Other (same chairman)
	(Concluded)

Operating Transactions

a. Sales of goods

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2021	2020
Sales	Ultimate parent company (Sumco Corporation)	\$ 574,992	\$ 30,368
	Parent entity (Sumco Techxiv Corporation)	<u>1,848,353</u>	<u>1,840,765</u>
		<u>\$ 2,423,345</u>	<u>\$ 1,871,133</u>

The transaction prices are based on mutual agreement. The credit term are from the day the related party confirms the sale: (a) 60 days - parent entity; (b) 55 days -ultimate parent company.

b. Purchases of goods

Related Party Category	<u>For the Year Ended December 31</u>	
	2021	2020
Ultimate parent company (Sumco Corporation)	\$ 539,611	\$ 529,073
Parent company of the Company (Sumco Techxiv Corporation)	34,331	31,098
Subsidiary (Japan Formosa Sumco Technology Corporation)	696,658	730,518
Investor with significant influence over the Company	25,743	21,517
Others (same chairman or a director is the chairman of the Company)	<u>23,153</u>	<u>19,040</u>
	<u>\$ 1,319,496</u>	<u>\$ 1,331,246</u>

The transaction prices are based on mutual agreement. Payments are due within the following number of days from the receipt of the Company's goods: (a) 30 to 70 days - parent entity; (b) 60 to 120 days - ultimate parent entity; (c) 70 days - subsidiary entity; and (d) immediately upon delivery - all other related parties.

d. Lease arrangements - the Company is lessee

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Acquisition of right-of-use assets</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ <u> -</u>	\$ <u> 6,668</u>
<u>Lease liabilities</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ <u> 7,446</u>	\$ <u> 14,461</u>
<u>Interest expense</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ <u> 124</u>	\$ <u> 200</u>

The Company leased right-of-use of land and office from its investors with significant influence over the Company - Formosa Plastic Corporation in January 2020 and January 2019. The lease term of the two contracts was 5 and 2 years, respectively; the rental is based on mutual agreement and fixed lease payments are paid monthly and semiannually, respectively.

e. Loans to related parties

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Other receivables - related parties</u>		
Subsidiary entity (Japan Formosa Sumco Technology Corporation)	\$ <u> 398,142</u>	\$ <u> 567,285</u>
<u>Interest receivables (accounted for as other receivables - related parties)</u>		
Subsidiary entity (Japan Formosa Sumco Technology Corporation)	\$ <u> 1,981</u>	\$ <u> 2,245</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Interest income</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ 13	\$ 18
Subsidiary entity (Japan Formosa Sumco Technology Corporation)	<u> 4,781</u>	<u> 6,323</u>
	<u>\$ 4,794</u>	<u>\$ 6,341</u>

The Company issued a total loan of \$495,686 thousand to significant influence (Formosa Plastic Corporation) at 1% interest rate, which was unsecured. The interest income from loan to significant influence (Formosa Plastic Corporation) was \$13 thousand. The loans was recovered before June 30, 2021.

The Company issued a total loan of \$644,870 thousand to significant influence (Formosa Plastic Corporation) at 1% interest rate, which was unsecured. The interest income from loan to significant influence (Formosa Plastic Corporation) was \$18 thousand. The loans was recovered before June 30, 2020.

The Company issued loans to the subsidiaries and provided them with loans at interest rate of 1% in the current and prior periods.

f. Other transactions with related parties

1) The repairs and maintenance expenses of manufacturing expenses

The repairs and maintenance expenses the Company paid to the other related party (Formosa Technologies Corporation) were \$21,530 thousand and \$22,777 thousand for the years ended December 31, 2021 and 2020, respectively. The transaction amounts are based on mutual agreement, and settled within the year.

The repairs and maintenance expenses the Group paid to the other related party (Formosa Heavy Industry Corporation) were \$2,947 thousand for the years ended December 31, 2021. The transaction amounts are based on mutual agreement, and settled within the year.

2) Acquisitions of equipment and payables for purchase of equipment - related parties

The Company acquired processing transportation system from other related parties (Formosa Heavy Industries Corporation) with contract price of \$8,066 thousand, has been paid upon receipt.

The Company acquired video conference network system and distributed control system DCS from inventor with significant influence (Formosa Plastic Corporation) with contract price of \$3,294 thousand, has been paid upon receipt.

The Company acquired software package from other related parties (Formosa Technologies Corporation) with contract price of \$4,191 thousand, has been paid upon receipt.

The Company replaced manufacturing process control system from other related parties (Formosa Technologies Corporation) for the year ended December 31, 2020 with contract price of \$54,000 thousand. The payable balance of \$2,700 thousand, as of December 31, 2020, accounted for as payable for equipments to related parties (other payable), has been paid upon receipt.

The Company acquired facial identity access control system from inventor with significant influence (Formosa Plastic Corporation) in the year December 31, 2020 with contract price of \$1,900 thousand and \$8,760 thousand, has been paid upon receipt.

The Company acquired production equipment from its ultimate parent company (Sumco Corporation) with contract price of \$195 thousand, has been paid upon receipt.

The Company acquired a warehouse management system from other related party (Formosa Technologies Corporation) for the year ended December 31, 2019 at a contract price of \$72,790 thousand. The balance payable was \$3,565 thousand, as of December 31, 2020, accounted for as other payables-related parties, has been paid upon receipt.

3) Other transactions

In December 2020, March, April, June, August, September, November 2021, the Company has signed technical compensation arrangement with its ultimate parent company and acquired the technical know-how of silicon wafer production worth JPY13,000 thousand (NT\$3,098 thousand) in April, May, July, November and December 2021, has been paid JPY13,000 thousand (NT\$3,098 thousand) and was recognized as intangible assets (refer to Note 14)

In March and December 2020, the Company has signed technical compensation arrangement with its ultimate parent company and acquired the technical know-how of silicon wafer production worth JPY28,000 thousand (NT\$7,728 thousand) in March, April and December 2020, has been paid JPY28,000 thousand (NT\$7,728 thousand) and was recognized as intangible assets (refer to Note 14).

Under an existing agreement effective since 2003, the Company is liable of paying royalty to its parent company regularly. The royalty was recognized as selling expenses for the years ended December 31, 2021 and 2020. The unpaid amount as of December 31, 2021 and 2020 were recognized as royalties payable to related parties (accounted for as other payables) and will be paid in February of the subsequent year.

In August 2010, the Company signed a technical right and support contract with its ultimate parent company. Under this contract, the Company receives support from the ultimate parent company in technical know-how and assistance in manufacturing of silicon wafer semiconductors. The Company should pay royalty to the ultimate parent company regularly. The royalty was recognized as technical commission fees classified under selling expenses for the years ended December 31, 2021 and 2020. The unpaid amounts as of December 31, 2021 and 2020, were recognized as royalties payable to related parties (other payables) and will be paid in February of the subsequent year.

The above-mentioned selling expenses and accrued expenses (other payables) that resulted from transactions with related parties are summarized as follows:

	For the Year Ended December 31	
	2021	2020
<u>Selling expenses (technical support expense)</u>		
Parent entity (Sumco Techxiv Corporation)	\$ 18,375	\$ 19,260
Ultimate parent entity (Sumco Corporation)	<u>232,171</u>	<u>191,474</u>
	<u>\$ 250,546</u>	<u>\$ 210,734</u>
	December 31	
	2021	2020
<u>Payable for royalties (other payables)</u>		
Parent entity (Sumco Techxiv Corporation)	\$ 18,375	\$ 19,260
Ultimate parent entity (Sumco Corporation)	<u>241,048</u>	<u>191,474</u>
	<u>\$ 259,423</u>	<u>\$ 210,734</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 18,767	\$ 20,928
Post-employment benefits	104	103
Other long-term employee benefits	<u>13</u>	<u>10</u>
	<u>\$ 18,884</u>	<u>\$ 21,041</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

26. 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, 2021 were as follows:

- a. The newly purchased machinery and equipment are exempt from tariff. Under the “estimated useful lives of fixed assets” enacted by Executive Yuan, should there be any capital reduction or other transfer of the machinery, equipment or components mentioned above to a third party, except those transferred to permitted businesses, the Company should pay supplementary import duties for the fixed assets.
- b. Amounts available under unused letters of credit as of December 31, 2021 were NT\$127,349, and the available under unused letters of credit were from purchasing machinery and equipment.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 137,542	27.690 (USD:NTD)	\$ 3,808,548
JPY	1,755,148	0.2404 (JPY:NTD)	<u>421,938</u>
			<u>\$ 4,230,486</u>
Non-monetary items			
Investments accounted for using the equity method			
JPY	1,516,631	0.2404 (JPY:NTD)	<u>\$ 361,244</u>

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	11,687	27.690 (USD:NTD)	\$ 323,606
JPY	1,189,298	0.2404 (JPY:NTD)	<u>285,907</u>
			<u>\$ 609,513</u>
			(Concluded)

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 199,529	28.508 (USD:NTD)	\$ 5,688,181
JPY	2,146,271	0.2724 (JPY:NTD)	<u>584,644</u>
			<u>\$ 6,272,825</u>
Non-monetary items			
Investments accounted for using the equity method			
JPY	1,368,028	0.2724 (JPY:NTD)	<u>\$ 372,898</u>
<u>Financial liabilities</u>			
Monetary items			
USD	22,335	28.508 (USD:NTD)	\$ 636,731
JPY	1,410,760	0.2724 (JPY:NTD)	<u>384,291</u>
			<u>\$ 1,021,022</u>

The Company is mainly exposed to the USD and JPY. For the significant realized and unrealized foreign exchange gains (losses), refer to Note 20.

28. DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Note 25)
 - 11) Information on investees (Table 5)
- c. Information on investments in mainland China
- 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 (Table 6)

FORMOSA SUMCO TECHNOLOGY CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrower	Total Financing Amount Limits	Note
													Item	Value			
0	Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Receivables from related parties	Yes	\$ 743,000 (Notes 3 and 4)	\$ 743,000 (Notes 3 and 4)	\$ 398,142	1.00%	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 2,085,276	\$ 10,426,378	
		Formosa Plastic Corporation	Receivables from related parties	Yes	743,000 (Notes 3 and 4)	- (Notes 3, 4 and 5)	- (Note 5)	1.00%	2	-	Operating capital	-	None	-	5,213,189	10,426,378	

Note 1: a. "0" financing provide.
b. "1" and onward coded based on reduce of companies inverted.

Note 2: a. "1" with trade transaction.
b. "2" the need for short-term financing.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 4: Financing period for Japan Formosa Technology Corporation from June 10, 2021 to June 9, 2022.

Note 5: The Company recovered a \$495,686 thousand loan from Formosa Plastic Corporation before June 30, 2021.

FORMOSA SUMCO TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	Ending Balance				Note
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
Formosa Sumco Technology Corporation	<u>Stock</u> Formosa Petrochemical Corporation		Financial assets at FVTOCI	3,247	\$ 311		\$ 311	

Note 1: The marketable securities, listed above includes stocks, bonds, beneficiary certifiable, and all form of securities listed under IFRS 9: Financial Instruments.

Note 2: The issuer of security is unrelated party. Hence, no descriptions of relationship.

Note 3: The carrying value equals the original cost of \$38 thousand plus year-end evaluation of \$273 thousand.

Note 4: Please refer to Table 5 for further information above investee.

FORMOSA SUMCO TECHNOLOGY CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Formosa Sumco Technology Corporation	Sumco Corporation	Ultimate parent company	Purchase	\$ 539,611	8.47	60 to 120 days from the receipt of the Company's goods	No significant difference	No significant difference	\$ (95,169)	(14.62)	
	Sumco Corporation	Ultimate parent company	Sale	574,992	4.73	Net 55 days from the end of the month of when invoice is issued	No significant difference	No significant difference	131,392	6.18	
	Sumco Techxiv Corporation	Parent Company	Sale	1,848,353	15.19	Net 60 days from the end of the month of when invoice is issued	No significant difference	No significant difference	325,336	15.30	
	Japan Formosa Sumco Technology Corporation	Subsidiary	Purchase	696,658	10.93	70 days receipts of the Company's goods	No significant difference	No significant difference	(177,123)	(27.21)	
Japan Formosa Sumco Technology Corporation	Formosa Sumco Technology Corporation	Parent company	Sale	696,658	100.00	70 days receipts of the Company's goods	No significant difference	No significant difference	177,123	100.00	

FORMOSA SUMCO TECHNOLOGY CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Formosa Sumco Technology Corporation	Sumco Techxiv Corporation	Parent company	\$ 325,336	6.15	\$ -	-	\$ 167,321	\$ -
Formosa Sumco Technology Corporation	Sumco Corporation	Ultimate parent company	131,392	7.14	-	-	65,900	-
Japan Formosa Sumco Technology Corporation	Formosa Sumco Technology Corporation	Parent company	177,123	3.75	-	-	49,643	-
Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Subsidiary	400,123 (Note)	Not applicable	-	-	-	-

Note: The Company issued loan to Japan Formosa Sumco Technology Corporation which includes principal \$398,142 thousand and interest \$1,981 thousand.

FORMOSA SUMCO TECHNOLOGY CORPORATION

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of Foreign Currency/New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Japan	Manufacture and sale of high quality ingot and other related business	JPY 998,000 (NT\$ 248,390)	JPY 998,000 (NT\$ 248,390)	9,980	100	JPY 1,516,631 (NT\$ 361,244)	JPY 90,934 (NT\$ 23,189)	JPY 148,603 (NT\$ 37,823)	Notes 1 and 2

Note 1: Carrying amount and share of profit (loss) is calculated from the financial statements audited by the independent accountant and the percentage of ownership of the investor company.

Note 2: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transactions.

TABLE 6**FORMOSA SUMCO TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sumco Techxiv Corporation	176,742,849	45.57
Formosa Plastic Corporation	112,707,716	29.05
Asia Pacific Investment Corporation	34,675,146	8.94

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day of the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders that have been delivered by the company without physical registration (including treasury shares) is more than 5%. The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

FORMOSA SUMCO TECHNOLOGY CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash on hand		\$ 8
Checking accounts		2,543
Demand deposits		564
Foreign currency deposits (Note)		589,622
Cash equivalents	Commercial papers - expiry date on 2022.01.31, interest rates range from 0.25%-0.37%	1,574,086
	Repurchase agreements collateralized by bonds - expiry date on 2022.01.31, interest rates range from 0.25%-0.30%	1,683,130
	Time deposits - within 31 to 90 days, interest rates at 0.31%-0.38%	<u>5,415,787</u>
		<u>\$ 9,265,740</u>

Note:

Foreign Currency Amount (In Thousands)	Exchange Rate	New Taiwan Dollar Amount (In Thousands)
USD20,437	27.690	\$ 565,894
JPY90,741	0.2404	21,814
EUR61	31.3613	<u>1,914</u>
		<u>\$ 589,622</u>

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Unrelated parties		
Client A	Payments	\$ 442,707
Client B	Payments	337,591
Client C	Payments	275,523
Client D	Payments	184,323
Client E	Payments	165,257
Client F	Payments	122,849
Client G	Payments	97,938
Others (Note)	Payments	43,952
Less: Allowance for impairment loss to unrelated parties		<u>-</u>
		<u>\$ 1,670,140</u>
Related parties		
SUMCO TECHXIV CORPORATION	Payments	\$ 325,336
SUMCO CORPORATION		131,392
Less: Allowance for impairment loss to related parties		<u>-</u>
		<u>\$ 456,728</u>

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

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials (Note)		\$ 758,756	\$ 771,225
Supplies		1,070,445	1,065,259
Work in progress		452,289	577,230
Finished goods		613,310	737,922
Merchandise inventories		22,813	22,813
Less: Allowance for inventory write-downs		<u>(132,594)</u>	<u>-</u>
		<u>\$ 2,785,019</u>	<u>\$ 3,174,449</u>

Note: Except for raw materials that have been valued based on the most recent purchase price, the net realizable value has been valued based on the estimated price under normal situations minus costs required for completion and marketing expenses.

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN LONG TERM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee	Balance, January 1, 2021		Additions		Decrease		Investment Gain or Loss	Exchange Adjustment	Balance, December 31, 2021			Equity, Net	Guarantee or Pledge
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount		
Unlisted company													
Japan Formosa Sumco Technology Corporation	9,980	\$ 372,898	-	\$ -	-	\$ -	\$ 37,823	\$ (49,477)	9,980	100	\$ 361,244	\$ 383,580	N

Note: The investment gain or loss was calculated on the basis of the investee's audited financial statements for the same reporting periods as the Company and the proportion of the Company's ownership.

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount
Unrelated parties		
Vendor A	Payments	\$ 126,822
Vendor B	Payments	107,823
Others (Note)	Payments	<u>136,252</u>
		<u>\$ 370,897</u>
Related parties		
Sumco Corporation	Payments	\$ 95,169
Japan Formosa Sumco Technology Corporation	Payments	177,123
Others	Payments	<u>7,680</u>
		<u>\$ 279,972</u>

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Number	Amount
Silicon wafers	7,972,405 pieces	<u>\$ 12,166,313</u>

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise inventories, beginning of year	\$ 7,444
Add: Transferred from other accounts	242,626
Less: Merchandise inventories, end of year	(22,813)
Others	54
Cost of goods sold - imported products	<u>227,311</u>
Raw materials, beginning of year	698,121
Add: Raw materials purchased	2,108,378
Transferred from other accounts	95,387,799
Less: Raw materials, end of year	(758,756)
Transferred to other accounts	<u>(2,047,743)</u>
Raw materials consumed	<u>95,387,799</u>
Supplies, beginning of year	1,082,442
Add: Supplies purchased	2,871,652
Transferred from other accounts	4,083
Less: Supplies, end of year	(1,070,445)
Transferred to expenses	(2,885,684)
Others	<u>(2,048)</u>
Supplies consumed	-
Direct labor	<u>1,150,428</u>
Manufacturing expenses	<u>6,613,637</u>
Manufacturing costs	103,151,864
Add: Work in progress, beginning of year	491,412
Transferred from other accounts	95,387,799
Less: Work in progress, end of year	(452,289)
Transferred to other accounts	(138,246,640)
Transferred to expenses	<u>(54,586)</u>
Cost of finished goods	60,277,560
Add: Finished goods, beginning of year	684,831
Less: Finished goods, end of year	(613,310)
Transferred to other accounts	(50,727,924)
Transferred to expenses	<u>(129,998)</u>
Cost of goods sold - finished goods	<u>9,491,159</u>
Idle capacity	<u>2,127</u>
Inventory write-downs	<u>15,324</u>
Income from sale of silicon waste	<u>(58,276)</u>
	<u>\$ 9,677,645</u>

FORMOSA SUMCO TECHNOLOGY CORPORATION

**STATEMENT OF MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Payroll expense		\$ 35,996
Shipping expense		87,398
Packing expense		38,648
Technical support expense		250,546
Others (Note)		<u>48,209</u>
		<u>\$ 460,797</u>

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

**STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Payroll expense		\$ 175,751
Others	Allocation expenses of general management office	26,348
	Others (Note)	<u>68,025</u>
		<u>\$ 270,124</u>

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Salary and bonus	\$ 1,469,695	\$ 176,432	\$ 1,646,127	\$ 1,240,467	\$ 145,557	\$ 1,386,024
Labor and health insurance	111,552	12,789	124,341	97,606	10,878	108,484
Pension expense	58,814	7,582	66,396	56,186	7,187	63,373
Remuneration of directors	-	14,944	14,944	-	15,502	15,502
Other benefit expense	35,626	3,231	38,857	34,939	3,045	37,984
Depreciation	1,941,871	11,781	1,953,652	2,115,619	10,851	2,126,470
Amortization	1,699	-	1,699	1,164	-	1,164

Note 1: As of December 31, 2021 and 2020, the Company had 1,369 and 1,336 employees, including 8 non-employee directors.

Note 2: Average labor cost for the years ended December 31, 2021 and 2020 were \$1,378 thousand and \$1,202 thousand, respectively.

Note 3: Average salary and bonus for the years ended December 31, 2021 and 2020 were \$1,210 thousand and \$1,044 thousand, respectively.

Note 4: The average salary and bonus decreased by 15.90% year over year.

Note 5: The Company did not have supervisors for the years ended December 31, 2021 and 2020. Therefore, there was no compensation to the supervisor.

Note 6: a. The policies of compensation for Directors:

1. The Company has canceled distribution of compensation to directors from earning which were approved in the shareholder's meeting.
2. The handling of compensations for directors and supervisors is delegated to the Board of Directors, and proposed in consideration of directors' levels of participation in the Company's operations and value of contribution, and by referencing industry standards in accordance with the Company's Articles of Association.
3. The Remuneration Committee and the Board of Directors have reached the solution that, except for the independent directors who will be paid a fixed monthly compensation, the current directors and supervisors will not receive remunerations. In addition, directors who concurrently serve as managers will not be paid honorarium fees, while the other directors and supervisors will receive fixed honorarium fees based on actual Board meeting attendance records.

b. The Company has established the Remuneration Committee to replace supervisor in June 21, 2018.

c. The policies of compensation for Managers:

The President's and Deputy General Manager's compensations are handled in accordance with the Company's Articles of Incorporation and Article 29 of the Company Act. In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the Company's operating conditions. Fixed monthly salary is also adjusted by the Remuneration Committee in reference to the Company's overall employee salary adjustment standards.

d. The policies of compensation for Employee:

In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the Company's operating conditions. Fixed monthly salary is also adjusted by CPI and other economic data in reference to the Company's overall employee salary adjustment standards.