Stock Code: 3611

TSC Auto ID Technology Co., Ltd.

Year 2022 Annual Report

Notice to readers

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

Date of Publication: Apr. 18, 2023

Link to this Report: https://mops.twse.com.tw/mops/web/index

I. Spokesperson and Acting Spokesperson:

Spokesperson -

Name	: Huang Zhen Fang
Title	: Assistant General Manager of Finance
Contact number	: (02)2218-6789 Extension 3601
E-mail	: jerry_huang@tscprinters.com

Acting Spokesperson -

Name	: Zhang Qi Huang
Title	: Deputy Manager of Accounting
Contact number	: (02)2218-6789 Extension 3606
E-mail	: richard_chang@tscprinters.com

II. Headquarter, branches and factory sites:

Headquarter:	Address: 9F., No. 95, Minquan Rd., Xindian Dist., New Taipei City 231
	Telephone: (02)2218-6789
Factory site:	Address: No. 35, Sec. 2, Ligong 1st Rd., Chengxing Village, Wujie Township, Yilan County 268
	Telephone: (03)990-6677

III. Stock transfer agent:

Name	: Agency Department, CTBC Bank
Address	: 5F., No. 83, Sec. 1, Chongcing S. Rd., Taipei City 100
Website	: https://ecorp.ctbcbank.com/cts/index.jsp
Telephone	: (02)6636-5566

IV. Auditors of the latest financial statements:

Name	: Chang Li Chun, Fan You Wei
Name of firm	: Deloitte Taiwan
Address	: 20F., No. 100, Songren Road, Xinyi District, Taipei City
Website	: https://www2.deloitte.com/tw/tc.html
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V. Name of overseas exchange where securities are listed, and method of inquiry:

Not applicable. (The Company has not issued any overseas securities as of the publicat ion date of the Annual report)

VI. Company website: https://www.tscprinters.com/

Table of Contents of the Annual Report

5. Operational Overview

6. Financial Overview

7. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

8. Special Disclosures

1. Report to Shareholders

Ladies and gentlemen:

Supply chain issues remained critical in 2022. Inflationary issues have triggered a global interest rate hike. High interest rates are also raising market concerns about a recession. The global economy has slowed in the second half of the year; thus, enterprises have become more conservative in business expansion and are also under pressure regarding destocking. However, our team continues to launch in new product and application development based on our many years of experience, and we strive to enhance our global brand position and market share for our products. The operating performance in 2022 continues to grow. Please refer to the following report of the Company's 2022 business results, a summary of the 2023 business plan, and descriptions of the Company's development strategy, external competitive environment, regulatory environment, and the macroeconomic environment:

I. 2022 business report: (based on the data shown in consolidated financial statements)

(I) Results of the 2022 business plan:

Unit: NT$ thousand

Item	2022	2021	Percent Change
	Amount	Amount	
Net operating revenues	7,966,918	6,848,808	16%
Gross profits	2,647,459	2,275,377	16%
Operating profits	1,257,801	1,050,230	20%
Profits before tax	1,347,394	1,082,903	24%
Net income	964,909	784,486	23%
Total comprehensive income	1,106,415	946,510	17%
Earnings per share (NT$)	22.71	18.47	23%

(II) 2022 budget execution: The Company did not produce a financial forecast for 2022, and hence is not required to disclose the budget execution.

(III) Revenues, expenses, and profitability analysis:

Unit: NT$ thousand

Item \ Year			2022	2021
Profit and loss	Operating profits		1,257,801	1,050,230
	Net non-operating income (expense)		89,593	32,673
	Profits before tax		1,347,394	1,082,903
	Net income		964,909	784,486
	Total comprehensive income		1,106,415	946,510
Profitability	Return on assets (%)		12	11
	Return on shareholders' equity (%)		20	21
	As a percentage of paid-in capital (%)	Operating profit	296	247
		Pre-tax profit	317	255
	Net profit margin (%)		12	11
	Earnings per share (NT$)		22.71	18.47

(IV) Research and development:

As the global market for Auto-ID applications increases, the Company spent a total of NT$229,823 thousand on R&D in 2022, accounting for 3% of the annual operating revenue, and continued to launch in network application and network security as well as cloud-based software and hardware application development to expand the Company's market scope. In addition, the next generation product development and application development in new sectors focuses on automatic data collection, product mobility, RFID applications, online barcode inspection, and paperless environmental labeling applications. The Group is also investing in capital expenditure on label paper equipment to enhance its market competitiveness and continue to increase its revenue.

II. Summary of the 2023 business plan

(I) Operational guidelines

The Company will launch new Auto-ID products to expand the business scope, continue to develop complete hardware and software solutions for customers, and expand marketing channels to cover the entirety of its product lines from low-, medium-, to high-end. In addition, the Company aims to grow its proprietary brand in various parts of the world and introduce services to the Auto-ID system and provide customers with a more complete application service network to create diversified value for our customers.

We strengthen corporate sustainable operations and take concrete actions for the Environment, Society, and Corporate governance, for example: Carry on paperless products and develop environmentally friendly products to support sustainable development in our country. We are actively fulfilling our corporate social responsibility and responding to the United Nations' sustainable development goals by continuing to work toward 2050 net zero emissions and contributing to global sustainability.

(II) Sales forecast and key production/sales policies

The revenue of the Company is mainly from the sales of Auto-ID printers, services and consumables for labels. The estimated sales volume for 2023 is as follows:

Unit: thousand pieces

Product category	Projected sales volume - 2023	Actual sales volume - 2022
Auto-ID printers	800	700

The Company's production and sales policies, based on the aforementioned forecast, will be focusing on the key points below:

1. Ensuring the availability and quality of supplies from suppliers, and maintaining an adequate inventory level and turnover rate.
2. Continue to expand our business scale worldwide and strengthen the core competitiveness in our business fundamentals.
3. Provide a comprehensive and quality service to build sustainable management capacity.

III. Future development strategies

We continue to insist on the customer-first policy and continue to integrate brand, product, marketing, and customer service to provide customers with all-in-one service and experiences in order to strengthen our market image and enhance our competitive advantage. We are aware of the changes in the applications from different industries and customers around the world, and work closely with our upstream and downstream partners. With a new business mindset, we seek new customers, new solutions, innovative service models, and new product development to create win-win opportunities and grow.

IV. Impacts of the external competitive environment, regulatory environment, and the overall business environment

(I) Impacts of the external competitive environment

As Auto-ID applications become more popular and relevant to life, the market's demand for Auto-ID printing has increased. In response to the external competition that comes with increased demand, the Company will continue focusing on the development of new technologies while at the same time integrating resources, coordinating, and forming collaborative relationships with different partners in the market to overcome external challenges. In doing so, we aim to achieve consistent growth in terms of revenues and profit.

(II) Impacts of the regulatory environment and macroeconomic environment

There has been no change in key domestic or foreign policies or laws that significantly affected the Company's operations in the last year, and the Company remains compliant with all changes in the regulatory environment.

In the future, the Company expects to further expand its vertical integration to take advantage of the growing demand as well as application of Auto-ID. Driven by innovation, professionalism, and utmost respect for the business, we look forward to improving business performance and profitability to the mutual benefit of our shareholders, customers, and employees.

Best regards

Best regards

Chairman:	Chief Executive Officer:	Chief Accounting Officer:
Wang Hsing Lei	Chen Ming-Yi	Lin Shu Juan

2. Company Profile

(1) Date of incorporation: Mar. 19, 2007

(2) Company history

Mar. 2007	● TSC Auto ID Technology Co., Ltd. was founded with an initial capital of NT$1,000 thousand.
Aug. 2007	● Acquired the Office Machinery Division of Taiwan Semiconductor Manufacturing Co., Ltd. (including assets, liabilities, and business activities) by issuing fifteen million common shares of NT$10 each to Taiwan Semiconductor Manufacturing Co., Ltd., which increased paid-in capital to NT$151,000 thousand.
Aug. 2007	● Acquired plant premise at Letzer Industrial Park in Yilan County for the production, sale, research, development, administration, and warehousing of barcode printers.
Aug. 2007	● Completed a NT$50,000 thousand capital increase, increasing paid-in capital to NT$201,000 thousand.
Oct. 2007	● Completed a NT$30,000 thousand capital increase, increasing paid-in capital to NT$231,000 thousand.
Dec. 2007	● Completed investment in TSC Auto ID Technology EMEA GmbH (formerly named TSC Printer Europe GmbH), which is responsible for the sale of barcode label printers in Europe.
Dec. 2007	● Initial public offering of the Company's shares.
Mar. 2008	● Completed investment in TSC Auto ID (H.K.) Ltd., which further invested in Tianjin TSC Auto ID Technology Co., Ltd. in Mainland China.
May 2008	● Completed investment in Tianjin TSC, which is responsible for the manufacturing and sale of barcode label printers in Mainland China
May 2008	● Completed investment in TSC Auto ID Technology America Inc., which is responsible for the sale of barcode label printers in the Americas.
Nov. 2008	● Completed a NT$30,800 thousand capital increase, increasing paid-in capital to NT$261,800 thousand.
Nov. 2008	● Common shares were listed for trading on Taipei Exchange.
Jan. 2010	● Employee warrants were converted into common shares, increasing paid-in capital to NT$265,600 thousand.
Apr. 2010	● Employee warrants were converted into common shares, increasing paid-in capital to NT$270,050 thousand.
Jul. 2010	● Employee warrants were converted into common shares, increasing paid-in capital to NT$270,950 thousand.
Oct. 2010	● Completed a NT$30,000 thousand capital increase, increasing paid-in capital to NT$300,950 thousand.
Oct. 2010	● Employee warrants were converted into common shares, increasing paid-in capital to NT$301,950 thousand.

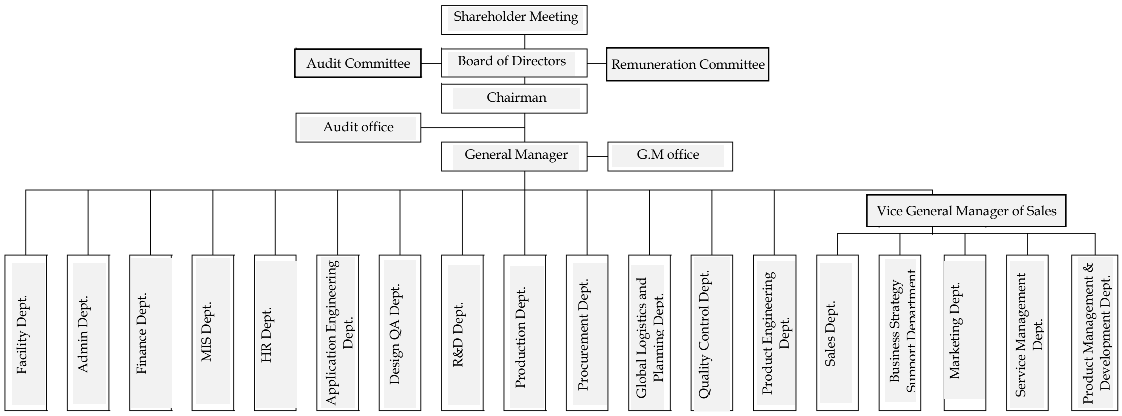
Apr. 2011	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$305,500 thousand.
Aug. 2011	●	Capitalized NT$30,550 thousand of earnings, increasing paid-in capital to NT$336,050 thousand
Dec. 2011	●	Obtained "Certificate of Corporate Governance System - CG6006" from the Taiwan Corporate Governance Association.
	●	The TTP-225 direct thermal/thermal transfer desktop barcode label printer won the Taiwan Excellence Award.
Jan. 2012	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$336,625 thousand.
Apr. 2012	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$339,425 thousand.
Jun. 2012	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$340,750 thousand.
Apr. 2013	●	The ME240 series barcode label printers won the Taiwan Excellence Award.
Nov. 2013	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$344,030 thousand.
Jan. 2014	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$344,280 thousand.
Jun. 2014	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$344,600 thousand.
Dec. 2014	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$345,665 thousand.
Jan. 2015	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$345,715 thousand.
Jan. 2015	●	Obtained "Certificate of Corporate Governance System - CG6009" from the Taiwan Corporate Governance Association.
May 2015	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$346,290 thousand.
Aug. 2015	●	Capitalized NT$34,629 thousand of earnings, increasing paid-in capital to NT$380,919 thousand.
Nov. 2015	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$381,904 thousand.
Dec. 2015	●	The Company issued its first domestic unsecured convertible bonds.
Jan. 2016	●	The Company and its 100%-owned U.S. subsidiary TSC Auto ID Technology America Inc. jointly acquired 100% equity ownership in Printronix, Inc. and renamed the entity Printronix Auto ID Technology, Inc. The Company and its subsidiary also purchased intellectual property rights and other assets such as inventory from Pioneer Holding Corp. and its subsidiaries.

Apr. 2016	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$382,124 thousand.
Jun. 2016	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$382,354 thousand.
Jul. 2016	●	Issued new shares for transfer, increasing paid-in capital to NT$385,354 thousand.
Nov. 2016	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$385,554 thousand.
Jan. 2019	●	Completed acquisition of operating assets from Diversified Labeling Solutions, Inc. through the subsidiary DLS Acquisition Corp. to support the growth of the printer consumables and labels business. The subsidiary was renamed Diversified Labeling Solutions, Inc.
Aug. 2019	●	Capitalized NT$38,555 thousand of earnings, increasing paid-in capital to NT$424,109 thousand.
Nov. 2019	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$424,369 thousand.
Jan. 2020	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$424,769 thousand.
Oct. 2021	●	The Company invested and established TSC Auto ID Technology India Private Ltd. to venture into the market in India and establish its brand image.
Jul. 2022	●	Completed the merger of Printronix Auto ID Technology, Inc. into the Company's 100% owned U.S. subsidiary, TSC Auto ID Technology America Inc.
Oct. 2022	●	Named by Interbrand as one of the Top 40 Global Brands in Taiwan for 2022.
Nov. 2022	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$42,513 thousand.
Feb. 2023	●	Established a subsidiary, Mosfortico Investments sp. z o.o. c., for the development of printer consumables and label paper business.
Apr. 2023	●	Employee warrants were converted into common shares, increasing paid-in capital to NT$42,519 thousand.

3. Corporate Governance Report

(1) Organizational structure

(I) Organizational Structure:



(II) Responsibilities of main departments:

Department	Main responsibilities
G.M office	1. Planning and supervision of the management approach, quality control policy, and goals within the Company. 2. Establishment of operating strategies and amendment of performance targets, both short-term and long-term. 3. Managing legal affairs, contracts, and intellectual property rights.
Audit office	1. Auditing and assessing the execution of the internal control system. 2. Preparation of audit reports and review of the improvements made.
Facility Dept.	1. Management of the general affairs of the Li-Ze plant. 2. Maintenance and management of plant affairs and system operation. 3. Maintenance and management of environment and safety matters. 4. Maintenance and management of occupational safety systems.
Admin Dept.	1. Administration of general affairs, correspondence, and properties at the Taipei Office. 2. Maintenance and management of occupational safety.
Finance Dept.	1. Bookkeeping and tax-related affairs. 2. Cost analysis, budget preparation, and budget control. 3. Capital planning, funding, and share-related affairs. 4. Reporting of information on the Market Observation Post System.

Department	Main responsibilities
MIS Dept.	1. Planning and maintenance of the Company's operation system and office automation system. 2. Database and system administration. 3. Software and hardware procurement and management. 4. Host and network device operation management. 5. Information security management.
HR Dept.	1. Development and execution of human resource plans. 2. Talent selection, education, recruitment, and retention. 3. Human resource development and employee relations.
Application Engineering Dept.	1. Resolution and response to customers' engineering issues. 2. Conducting product-related training for customers. 3. Testing and validation of new product applications.
Design QA Dept.	1. Formulating verification plans and test items for new product design and development. 2. Laboratory testing apparatus/equipment application and management. 3. Product design quality control and integration of test data. 4. Production and testing program planning.
R&D Dept.	1. Design and development of new products. 2. Product application and design. 3. Support and resolution of issues concerning product specification, technology, and production procedures.
Production Dept.	1. Production scheduling and capacity planning. 2. Servicing and maintenance of production equipment. 3. Warehousing management.
Procurement Dept.	1. Processing and execution of procurement requests for raw materials and production equipment. 2. Supplier management and audit. 3. Providing support for R&D materials and supply chain planning. 4. Establishment and optimization of supply chain strategies.
Global Logistics and Planning Dept.	1. Inventory control, materials collection, allocation and distribution of materials for production requirements, and shipment. 2. Control of production orders. 3. Supply requirement, production scheduling, and shipment scheduling. 4. Control of outsourced works.

Department	Main responsibilities
Quality Control Dept.	1. Maintenance and ongoing improvement of the quality system. 2. Auditing of quality systems in various departments. 3. Coordination and resolution of external quality issues.
Product Engineering Dept.	1. Production site anomaly analysis and counter-strategies 2. Optimization of production/manufacturing processes and efficacy improvement. 3. Design, manufacturing and maintenance of inhouse jigs and tools.
Sales Dept.	1. Establishing distribution strategies and promoting and implementing sales operations. 2. Developing new customers and promoting brand exposure. 3. Establishing product pricing and market management. 4. Customer service, order management, shipping arrangement and relevant affairs.
Business Strategy Support Department	1. Communication and management of sales between the Company headquarters and the four global business regions. 2. Maintenance and development of global key accounts. 3. Leading the global deployment and management of the Company's strategic projects. 4. Global strategic sales strategy planning including vertical market penetration, new product launches, supply management, and project management and global marketing related to marketing activities.
Marketing Dept.	1. Planning and execution of market entry strategies. 2. Formulation and execution of product promotion strategies. 3. Promotion of corporate brand image.
Service Management Dept.	1. Maintenance and repair service management. 2. Service option planning & management.
Product Management & Development Dept.	1. Product planning and development. 2. Product marketing strategy. 3. Market survey.

(2) Information of Directors, Supervisors, General Managers, Vice General Managers, Assistant General Managers, and Heads of various departments and branches

(I) Information on directors

1. Director’s profile

Apr. 18, 2023
Unit: shares; %

Title	Nationality or place of registration	Name	Gender /Age	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
President and Director	R.O.C	Wang Shiu Ting	Male/ 71~80 year-old	Jun. 17, 2022	3 years	Mar. 7, 2007	739,984	1.74%	739,984	1.74%	0	0%	330,000	0.78%	Department of Mechanical Engineering, Tatung Institute of Technology Texas Instruments Incorporated - Manager	Taiwan Semiconductor Manufacturing Co., Ltd. - Chairman and General Manager TSC Auto ID Technology Co., Ltd. - President and Director Yangxin Everwell Electronic Co., Ltd. - Chairman (corporate representative) Tianjin Everwell Technology Co., Ltd. - Chairman (corporate representative) EVER ENERGETIC INTERNATIONAL LTD. - Chairman (corporate representative) EVER WINNER INTERNATIONAL CO., LTD. - Chairman (corporate representative) SKYRISE INT’L LTD. - Chairman (corporate representative) TAIWAN SEMICONDUCTOR JAPAN LTD. - Director (corporate representative) Tianjin TSC Auto ID Technology Co., Ltd. - Chairman (corporate representative) Printronix Auto ID Technology Co., Ltd. - Chairman (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Chairman (corporate representative) Nian Tzu Investment Co., Ltd. - Chairman	Chairman	Wang Hsing Lei	Father-son	Mr. Wang Shiu Ting is the former Chairman of the Company has industry management and decision-making skills. Furthermore, the Company has 3 independent directors, less than half of whom hold concurrent position as employee or manager.

Title	Nationality or place of registration	Name	Gender/Age	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Chairman	R.O.C	Wang Hsing Lei	Male/ 41~50 year-old	Jun. 17, 2022	3 years	Jun. 13, 2013	183,304	0.43%	183,304	0.43%	66,858	0.16%	679,000	1.60%	MBA, Massachusetts Institute of Technology McKinsey & Company - Consultant	Taiwan Semiconductor Manufacturing Co., Ltd. - Director (corporate representative) and Vice General Manager TSC Auto ID Technology America, Inc. - Chairman (corporate representative) TSC Auto ID (HK) Ltd. - Person-in-charge (corporate representative) Tianjin Everwell Technology Co., Ltd. - Supervisor (corporate representative) Tianjin TSC Auto ID Technology Co., Ltd. - Director (corporate representative) Arthur Investment Co., Ltd. - Director Nian Tzu Investment Co., Ltd. - Director TSC Auto ID Technology Co., Ltd. - Chairman Printronix Auto ID Technology Co., Ltd. - Director (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Director (corporate representative) Taiwan Semiconductor Europe GmbH - Director (corporate representative) TSC Auto ID Technology EMEA GmbH - Director (corporate representative) Diversified Labeling Solutions Inc. - Chairman (corporate representative) Precision Press & Label, Inc. - Chairman (corporate representative) TSC Auto ID Technology India Pvt Ltd. - Chairman (corporate representative)	Direct or and President	Wang Shiu Ting	Father-son	
Director	R.O.C	Taiwan Semiconductor Manufacturing Co., Ltd.		Jun. 17, 2022	3 years	Mar. 7, 2007	15,453,177	36.38%	15,453,177	36.34%	0	0%	0	0%	None	None	None	None	None	
Representative of corporate director	R.O.C	Luo Yue Gui	Female/ 51~60 year-old	Jun. 17, 2022	3 years	Jun. 7, 2016	33,888	0.08%	33,888	0.08%	23,316	0.05%	0	0%	Department of Accounting and Statistics, Open College Affiliated with National Taipei College of Business Taiwan Songwang Electronics Co., Ltd. - Bonded Warehouse Officer Kuender & Co., Ltd. - Finance and Accounting Officer	Taiwan Semiconductor Manufacturing Co., Ltd. - Finance Department Senior Manager	None	None	None	
Director	R.O.C	Chen Ming Yi	Male/ 51~60 year-old	Jun. 17, 2022	3 years	Jun. 17, 2022	0	0%	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National Kaohsiung Institute of Technology Dell (Taiwan) B.V. Taiwan Branch - Assistant General Manager of Engineering	TSC Auto ID Technology Co., Ltd. - General Manager Tianjin TSC Auto ID Technology Co., Ltd. - Director (corporate representative) Printronix Auto ID Technology Co., Ltd. - Supervisor (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Director (corporate representative) Mosfortico Investment sp. z o. o. - Director	None	None	None	

Title	Nationality or place of registration	Name	Gender /Age	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Independent Director	R.O.C	Ma Chia Ying	Male/ 61~70 year-old	Jun. 17, 2022	3 years	Jun. 20, 2008	0	0%	0	0%	0	0%	0	0%	Ph.D., Lehigh University College of Business and Economics Master of Accounting, Utah State University Bachelor of Accounting, National Chengchi University Soochow University - full-time professor at the Department of Accounting National Chengchi University - Adjunct Professor at the Department of Public Finance National Chiao Tung University College of Biological Science and Technology - Adjunct Professor World Bank, Department of Regional Economy - Finance and economics consultant Lehigh University Computing Center - Senior Technical Consultant Martin Dell Private Enterprise Research Center - Researcher IDEAS System - Researcher PwC Taiwan - Senior Auditor	Soochow University - Professor at the Accounting Department Union Insurance Company - Director (corporate representative) Medeon Biodesign, Inc. - Independent Director RichWave Technology Corp. - Independent Director Hiyes International Co Ltd. - Independent Director	None	None	None	

Title	Nationality or place of registration	Name	Gender/Age	Date elected (appointed)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Independent Director	R.O.C	Li Chun Chi	Male/ 61~70 year-old	Jun. 17, 2022	3 years	Jun. 20, 2008	0	0%	0	0%	0	0%	0	0%	Ph.D. in Optics and Photonics, National Central University Master in Optics and Photonics, National Central University Taipei City University of Science and Technology - Associate Professor at the Department of Electrical Engineering and Head of the College of Engineering Technology & Science Institute of Northern Taiwan - Associate Professor at the Department of Electrical Engineering Kuang Wu Industry and Commerce Junior College - Lecturer at the Department of Electrical Engineering	Taipei City University of Science & Technology - Associate Professor at the Department of Electrical Engineering and Executive Head of College of Engineering	None	None	None	
Independent Director	R.O.C	Lin Tuo Zhi	Male/ 41~50 year-old	Jun. 17, 2022	3 years	Jun. 17, 2022	38,720	0.09%	38,720	0.09%	0	0%	0	0%	Responsible person of Property Acquisition, Great China Region, Prudential Financial Master of Science in Real Estate Development, Massachusetts Institute of Technology, USA B.S. in Industrial Engineering, University of California, Berkeley, USA	Responsible person of Skymont Capital Limited	None	None	None	

2. For representatives of corporate shareholders, the names and shareholding percentages of major shareholders (the top 10) in each corporate shareholder are further disclosed:

Apr. 18, 2023

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholders and shareholding percentage (%)
Taiwan Semiconductor Co., Ltd.	TSC Auto ID Technology Co., Ltd. (5.62%)Fubon Insurance Co., Ltd. (4.79%) Wang Shiu Ting (4.70%) Yuanta Taiwan High-yield Leading Company Fund (4.17%) Arthur Investment Co., Ltd. (3.97%) UMC Venture Capital (2.56%) Nian Tzu Investment Co., Ltd. (1.69%) New Labor Pension Fund (1.43%)JP Morgan Chase Bank Taipei Branch in its capacity as Master Custodian for the Investment Account of Vanguard FTSE Emerging Markets ETF (1.28%) Old Labor Pension Fund (1.26%)

Note 1: Where directors and supervisors are representatives of corporate shareholders, the names of corporate shareholders should be filled in.

3. Where the major shareholder is a corporate entity, the names and shareholding percentages of the corporate entity's major shareholder and top-ten shareholders

Apr. 18, 2023

Name of corporate entity	Major shareholders of corporate shareholders and shareholding percentage (%)
TSC Auto ID Technology Co., Ltd.	The names and holding percentages of top-ten shareholders in the most recent period have been disclosed in section "4: Capital and Overview (1) Capital and shares - (IV) List of Major Shareholders" of this report.
Fubon Insurance Co., Ltd.	Fubon Financial Holdings Co., Ltd (79.19%)
Arthur Investment Co., Ltd.	Chou A Chui (19.90%), Wang Hsing Lei (55.74%), Wang Wan Yu (16.00%)
UMC Venture Capital	United Microelectronics Corporation (100%)
Nian Tzu Investment Co., Ltd.	Wang Shiu Ting (99.97%), Wang Hsing Lei (0.03%)

4. Disclosure of Directors' Professional Qualifications and Independent Directors' Independence:

Criteria / Name	Professional Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of positions as independent director in other public companies
Wang Shiu Ting	Possess the commercial and other work experience required to perform the assigned duties	-	None
Wang Hsing Lei	Possess the commercial and other work experience required to perform the assigned duties	-	None
Representative of Taiwan Semiconductor Manufacturing Co., Ltd.: Luo Yue Gui	Possess the commercial, financial, accounting and other work experience required to perform the assigned duties	-	None
Chen Ming Yi	Possess the commercial and other work experience required to perform the assigned duties	-	None

Ma Chia Ying (Independent Director)	Lecturer (or above) of commerce, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution with a valid CPA certificate from passing the national CPA examination, with no prior violation of offenses described in Article 30 of the Company Act.	1.Neither he/she or his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee at the Company. 2.Neither he/she or his/her spouse or relative within the second degree of kinship (or under the name of another person) possess the Company's shares. 3.Is not serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company (refer to Article 3, Section 1 Clauses 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). 4.Has not provided commercial, legal, financial or accounting services at the Company or any of its affiliated businesses in the past 2 years.	3
Li Chun Chi (Independent Director)	Lecturer (or above) of finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution with no prior violation of offenses described in Article 30 of the Company Act.	1.Neither he/she or his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee at the Company. 2.Neither he/she or his/her spouse or relative within the second degree of kinship (or under the name of another person) possess the Company's shares. 3.Is not serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company (refer to Article 3, Section 1 Clauses 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). 4.Has not provided commercial, legal, financial or accounting services at the Company or any of its affiliated businesses in the past 2 years.	None

Lin Tuo Zhi (Independent Director)	Possess the commercial and other work experience required to perform the assigned duties	1.Neither he/she or his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee at the Company. 2.Neither he/she or his/her spouse or relative within the second degree of kinship (or under the name of another person) possess the Company's shares. 3.Is not serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company (refer to Article 3, Section 1 Clauses 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). 4.Has not provided commercial, legal, financial or accounting services at the Company or any of its affiliated businesses in the past 2 years.	None

Note 1: Professional Qualification and Experience: List and state individual director and supervisor's professional qualifications and experiences. If they are serving as a member in the Audit Committee with accounting or financial expertise, also describe their accounting/financial background and relevant experiences. Also state if they have had prior violations of offenses described in Article 30 of the Company Act.

Note 2: Independent directors are required to declare their status of independence, (i.e. whether he/she, his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee of the Company or its affiliated businesses; the number of shares and percentage of the company's shares in their possession or the possession of their spouse or relative within the second degree of kinship (or under the name of another person); whether he/she is serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company and so forth. Refer to Article 3, Section 1 Clauses 5~8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). Independent directors must also declare the amount of compensation they have received from the Company or its affiliated businesses in the past 2 years for their comercial/legal/financial/accounting or related services.

5. Board Diversification and Independence

(1) Board diversification:

Effective from Jun. 2017, all director candidates must be nominated in order to be eligible to participate in the voting process to serve on the Board of Directors. Pursuant to the Company's "Corporate Governance Best Practice Principles", the composition of the Board of Directors shall take factors such as the development of the Company, its major shareholder status and actual operational needs into consideration and the Company has deemed that the Board ought to have no fewer than 5 members. In addition, composition of the Board shall be diverse in nature, with suitable diversification guidelines formulated base on factors such as the Company's nature of operation and management and its developmental needs. Members of the Board of Directors shall be competent in the knowledge, skills and trainings required to perform their assigned duties. In order to achieve the ideals of the Company's corporate governance, the Board of Directors shall be equipped with the following capacities:

A. Operational judgment.
B. Accounting and financial analysis
C. Business administration
D. Crisis management
E. Industry knowledge
F. International market view
G. Leadership
H. Decision making.

All seven incumbent directors of the Company are native citizens of the ROC and they possess all the aforementioned requirements of knowledge, skills, and training (refer to the previous sections on directors' academic credentials and experiences), and each brings profound expertise in accounting, finance, business, commerce, engineering, and technology. One director is female (14.3%, Luo Yue Gui). In terms of directors' age groups, one director falls in the 71-80 year-old group (14.3%, Wang Shiu Ting), two in the 61-70 year-old group (28.6%, Ma Chia Ying and Li Chun Chi), two in the 51-60 year-old group (28.6%, Luo Yue Gui and Chen Ming-Yi), and two in the 41-50 year-old group (28.6%, Wang Hsing Lei and Lin Tuo Zhi).

(2) Board Independence:

Among the seven incumbent directors (with three independent directors) on the Board, 42.9% of the members are independent. The members are equipped with profound experience and expertise in domains including finance, commerce, business and management. The status of their independence is summarized below:

Apr. 18, 2023

Name \ Criteria	Compliance of independence (Note 1)											
	1	2	3	4	5	6	7	8	9	10	11	12
Wang Shiu Ting						✓			✓		✓	✓
Wang Hsing Lei			✓		✓	✓		✓	✓		✓	✓
Representative of Taiwan Semiconductor Manufacturing Co., Ltd.: Luo Yue Gui			✓	✓		✓	✓		✓	✓	✓	
Chen Ming Yi			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: Ma Chia Ying	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: Li Chun Chi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: Lin Tuo Zhi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note 1: Please place a "✓" in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

(1) Not employed by the Company or any of its affiliated companies.

(2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiaries, or other subsidiaries of the parent that are compliant with the Act or local laws).

(3) Does not aggregately hold more than 1% of the Company's outstanding shares in their own names or under the name of a spouse, underage children, or proxy shareholder; nor is a top-ten natural-person shareholder of the Company.

(4) Not a manager listed in (1), or a spouse, second-degree relative or closer or third-degree direct relative or closer to any personnel listed in (2) or (3).

(5) Not a director, supervisor, or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-five shareholder; or 3. appoints a director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiaries, or other subsidiaries of the parent that are compliant with the Act or local laws).

(6) Not a director, supervisor or employee of any other company that controls directorship in the company or where more than half of the total voting rights are controlled by a single party (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiaries, or other subsidiaries of the parent that are compliant with the Act or local laws).

(7) Does not assume concurrent duty as Chairman, General Manager or equivalent role, and is not a director, supervisor, or employee of another company or institution owned by a spouse (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiaries, or other subsidiaries of the parent that are compliant with the Act or local laws).

(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has a financial or business relationship with the Company (however, this restriction does not apply to concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, its parent company, subsidiaries, or other subsidiaries of the parent that are compliant with the Act or local laws).

(9) Not a professional who provides audit services, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not a spouse or relative of second degree or closer to any other directors.

(11) Does not meet any of the conditions stated in Article 30 of the Company Act.

(12) Not elected as a government, corporate or other representative according to Article 27 of the Company Act.

None of the three independent directors have violated Clauses 3 and 4 of Article 26-3 of the Securities and Exchange Act, which require that no directors or supervisors share spousal or familiar relationship within the second the degree of kinship.

(II) General Managers, Vice General Managers, Assistant General Managers, and Heads of various departments and branches

Apr. 18, 2023
Unit: shares; %

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relation	
General Manager	R.O.C	Chen Ming Yi	Male	Jun. 17, 2022	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National Kaohsiung Institute of Technology Dell (Taiwan) B.V. Taiwan Branch - Assistant General Manager of Engineering	Tianjin TSC Auto ID Technology Co., Ltd. - Director (corporate representative) Printronix Auto ID Technology Co., Ltd. - Supervisor (corporate representative) Shenzhen Printronix Auto ID Technology Co., Ltd. - Director (corporate representative) Mosfortico Investment sp. z o. o. - Director	None	None	None	
Vice General Manager of Sales	R.O.C	Lin Shu Li	Male	Dec. 20, 2021	0	0%	0	0%	0	0%	IMBA, National Chengchi University BA of Industrial Design, National Chung Kung University Department Manager, Moxa Ltd. General Manager, Ai Wei Technology Ltd. International Business Manager, 3M Company	None	None	None	None	
Senior Assistant General Manager	R.O.C	Lee Cheng Chung	Male	Feb. 26, 2015	84,975	0.20%	0	0%	0	0%	Department of Electronic Engineering, National Chin-Yi Institute of Technology EMBA, National Ilan University Pro Arch Technology Inc. - Product Manager	None	None	None	None	
Assistant General Manager and Head of Finance	R.O.C	Huang Zhen Fang	Male	●Sep.28, 2021 (Assistant General Manager) ●Nov. 09, 2021 (Head of Finance)	0	0%	0	0%	0	0%	MBA, Massachusetts Institute of Technology Deputy Division Chief, Strategic Investment Department, Lite-On Technology Co., Ltd. CFO, Yuen Foong Shop Co., Ltd.	None	None	None	None	

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relation	
Assistant General Manager	R.O.C	Chang Mu Lan	Male	Aug. 1, 2017	0	0%	0	0%	0	0%	MBA, University of Leicester (UK) Tymphany Acoustic Technology Limited - Plant Manager LiteOn Group Automotive Electronics Department - Senior Manager of Global Procurement/Plant Manager Knowles Electronics Taiwan Ltd. - Asia-Pacific Procurement Manager	None	None	None	None	
Assistant General Manager	R.O.C	Hu Chiu Chih	Female	Mar. 26, 2019	0	0%	0	0%	0	0%	Department of Information Management, Shih Hsin University CipherLab Co., Ltd. - Assistant General Manager of the Technical Support Department	None	None	None	None	
Assistant General Manager	R.O.C	Wu Chih Hao	Male	May 8, 2019	0	0%	0	0%	0	0%	Master of Electrical Engineering, National Tsing Hua University Compal Group - Head of the Product Division	None	None	None	None	
Section Chief and Head of Accounting	R.O.C	Lin Shu Juan	Female	Mar. 21, 2018	2,420	0.01%	0	0%	0	0%	Department of Finance, Lan Yang Institute of Technology YENYO Technology Co., Ltd. - Deputy Section Chief of the Finance Department Solteam Incorporation - Chief of the Finance Department	None	None	None	None	

(3)**Compensation paid to Directors, Supervisors, General Managers, Vice General Managers in the last year**

(I) Compensation to non-independent and independent directors

Unit: NT$ thousand

Title	Name	Directors' remuneration								The sum of A, B, C and D as a percentage of net income (Note 10)		Compensation received as employee								The sum of A, B, C, D, E, F and G as a percentage of net income (Note 10)		Compensation from business investments other than subsidiaries (Note 11)
		Compensation (A) (Note 2)		Severance payment and pension (B)		Director remuneration (C) (Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Severance payment and pension (F)		Employee remuneration (G) (Note 6)						
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company		All companies included in the financial statements (Note 7)		The Company	All companies included in the financial statements (Note 7)	
																Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Director	Wang Shiu Ting	0	0	0	0	26,406	26,406	0	0	26,406 2.74%	26,406 2.74%	21,176	22,724	216	216	7,000	0	7,000	0	54,798 5.68%	56,346 5.84%	None
Director	Wang Hsing Lei																					
Director	Representative of Taiwan Semiconductor Manufacturing Co., Ltd.: Luo Yue Gui																					
Director	Chen Ming Yi																					
Independent Director	Ma Chia Ying	0	0	0	0	6,398	6,.398	914	914	7,312 0.76%	7,312 0.76%	0	0	0	0	0	0	0	0	7,312 0.76%	7,312 0.76%	None
Independent Director	Li Chun Chi																					
Independent Director	Lin Tuo Zhi																					

1. The policy, system, standards, and structure by which independent director compensation is paid, and the association between the amount paid and independent directors' responsibilities, risks and time committed:
The compensation paid by the Company includes cash compensations, warrants, share-based profit sharing, retirement benefits, severance pay, allowances of all kinds, and other substantive incentives. Its scope is consistent with the remuneration of directors, supervisors, and managers stated in the Regulations Governing Information to be Published in Annual Reports of Public Companies. The Company has assembled a Remuneration Committee and established the "Remuneration Committee Charter" to serve as guidance for the salary and compensation of directors and managers. The Remuneration Committee exercises the care of a prudent manager according to the above Charter to perform the following duties and to propose recommendations for discussion by the board of directors:
(I) Establishment and regular review of annual and long-term performance targets for directors and managers of the Company, as well as their salary/compensation policy, system, standard, and structure.
(II) Regular evaluation and determination of directors' and managers' salary and compensation.
The Remuneration Committee shall abide by the following principles when performing the duties mentioned in the preceding paragraph:
(I) Ensure that the Company's compensation arrangements comply with all relevant laws and are capable of attracting top talent.
(II) Directors' and managers' performance shall be evaluated and compensated in comparison to industry peers, while taking into consideration their individual achievements, the Company's overall performance, and association with future risks.
(III) The compensation should not entice directors and managers into seeking high returns by acting outside the Company's risk appetite.
(IV) Short-term performance bonuses to directors and senior executives and the timing of variable salary payments/compensations shall be set according to industry characteristics and the Company's business nature.
When discussing compensation proposals from the Remuneration Committee, the board of directors takes into consideration the amount of compensation proposed, the method of payment, and risks that the Company may be prone to in the future.
The Company's Chairman is authorized by the board of directors to determine managers' compensation based on the nature of their work, their duties, education, experience, skills, and potential.
Amounts of director and employee remuneration are first resolved by the board of directors and subsequently reported during the shareholder meeting. Director remuneration is allocated according to the Company's "Director Remuneration Allocation Tier Chart." Employees of the Company, on the other hand, are allocated remuneration based on individual work performance, years of service, grade, special contributions, etc. Overall, the Company has implemented policies, systems, standards, and structures for the allocation of remuneration to directors and independent directors, and associates the amounts paid with their responsibilities, risks, and time committed in accordance with the Company's "Articles of Incorporation" and relevant "Management Regulations."
2. Compensation received by director for providing services to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

Compensation brackets table

Range of compensation paid to directors	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies included in the financial statements (Note 9) I
Below NT$1,000,000	None	None	None	None
NT$1,000,000 (inclusive) - NT$2,000,000 (non-inclusive)	Lin Tuo Zhi	Lin Tuo Zhi	Lin Tuo Zhi	Lin Tuo Zhi
NT$2,000,000 (inclusive) - NT$3,500,000 (non-inclusive)	Chen Ming-Yi, Taiwan Semiconductor Manufacturing Co., Ltd. (representative: Luo Yue Gui), Ma Chia Ying, Li Chun Chi	Chen Ming-Yi, Taiwan Semiconductor Manufacturing Co., Ltd. (representative: Luo Yue Gui), Ma Chia Ying, Li Chun Chi	Taiwan Semiconductor Manufacturing Co., Ltd. (representative: Luo Yue Gui), Ma Chia Ying, Li Chun Chi	Taiwan Semiconductor Manufacturing Co., Ltd. (representative: Luo Yue Gui), Ma Chia Ying, Li Chun Chi
NT$3,500,000 (inclusive) - NT$5,000,000 (non-inclusive)	None	None	None	None
NT$5,000,000 (inclusive) - NT$10,000,000 (non-inclusive)	Wang Shiu Ting	Wang Shiu Ting	None	None
NT$10,000,000 (inclusive) - NT$15,000,000 (non-inclusive)	Wang Hsing Lei	Wang Hsing Lei	Wang Shiu Ting, Chen Ming-Yi	Wang Shiu Ting, Chen Ming-Yi
NT$15,000,000 (inclusive) - NT$30,000,000 (non-inclusive)	None	None	Wang Hsing Lei	Wang Hsing Lei

NT$30,000,000 (inclusive) - NT$50,000,000 (non-inclusive)	None	None	None	None
NT$50,000,000 (inclusive) - NT$100,000,000 (non-inclusive)	None	None	None	None
NT$100,000,000 and above	None	None	None	None
Total	7	7	7	7

Note 1: Directors' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representative are presented separately) and distinguished between independent and non-independent directors, while the amount of benefits are presented in aggregate sums. Any director who concurrently holds the position of General Manager or Vice General Manager should be disclosed in this table and in Table (3-1) or (3-2) below.

Note 2: Refers to directors' compensation in the last year (including salary, allowance, severance pay, various bonuses, incentives, etc.).

Note 3: Represents the amount of director remuneration in the last year that the board has proposed as part of the latest earnings appropriation.

Note 4: Refers to compensation paid for services rendered (including travel, special allowances, subsidies, accommodation, corporate vehicle, and in-kind benefits) in the last year. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies should also be disclosed. Where personal drivers were allocated, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward the compensations of the above beneficiaries.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, in-kind benefits, etc. that the director received in the last year for assuming the role of a company employee (such as General Manager, Vice General Manager, Manager, or other employee) in the last year. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies should also be disclosed. Where personal drivers were allocated, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward the compensations of the above beneficiaries. Part of the salary expense was recognized according to IFRS2 "Share-Based Payment." Amounts including employee warrants, restricted employee shares, and subscription to cash issues should also be treated as compensation.

Note 6: Refers to any compensation that the director received (in cash or in shares) in the last year for assuming the role of an employee (such as General Manager, Vice General Manager, Manager, or other employee). The amount of employee remuneration proposed by the board of directors in the last year should be disclosed (where the amount cannot be estimated, use the percentage of the amount paid in the last year to calculate the pro-forma amount for the current year). Table 1-3 should also be completed for reference.

Note 7: The disclosure should include all companies covered by the consolidated financial statements (including the Company) and represent the total amount of compensation paid by all companies to the Company's directors.

Note 8: The amount of compensation paid by the Company to each director has been disclosed in ranges.

Note 9: The details should represent the range of compensation paid by the consolidated entity (including the Company) to each director.

Note 10: Net income refers to the amount of profit shown in the latest parent company only or individual financial reports.

Note 11:
a. This field represents all forms of compensation that the director received from the Company's parent company or business investments other than subsidiaries (please fill in "None" if absent).
b. For directors who received compensation from the parent company or business investments other than subsidiaries, amounts received from these business investments or the parent company should be added to column I of the compensation brackets table. In this case, column I should be renamed "parent company and all business investments."
c. Compensation refers to any return, remuneration (including remuneration received as an employee, director, and supervisor) and professional service fee that the Company's director received for serving as director, supervisor, or manager in the parent company or business investments other than subsidiaries.

* The basis of compensation disclosed above is different from the basis of the Income Tax Act, hence the above table has been prepared solely for information disclosure, and not for tax purpose.

(II) Supervisors' compensation: During the shareholder meeting held on Jun. 18, 2010, the Company assembled an Audit Committee and elected three independent directors to replace supervisors, hence no compensation has been paid to supervisors since then.

(III)Compensation to the General Managers and Vice General Managers

Unit: NT$ thousand

Title	Name	Salary (A) (Note 2)		Severance payment and pension (B)		Bonuses and special allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of net income (%)(Note 8)		Compensation from business investments other than subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
General Manager	Wang Hsing Lei*	10,462	12,010	294	294	5,169	5,169	5,032	0	5,032	0	20,957 2.17%	22,505 2.33%	None
General Manager	Chen Ming Yi**													
Vice General Manager of Sales	Lin Shu Li													

*General Manager Wang Hsing Lei resigned on Jun. 19, 2022.

**General Manager Chen Ming-Yi took office on Jun. 20, 2022.

Compensation brackets table

Range of compensation to General Manager and Vice General Managers	Names of General Manager and Vice General Managers	
	The Company (Note 6)	All companies included in the financial statements (Note 7)
Below NT$1,000,000	None	None
NT$1,000,000 (inclusive) - NT$2,000,000 (non-inclusive)	None	None
NT$2,000,000 (inclusive) - NT$3,500,000 (non-inclusive)	None	None
NT$3,500,000 (inclusive) - NT$5,000,000 (non-inclusive)	None	None
NT$5,000,000 (inclusive) - NT$10,000,000 (non-inclusive)	Lin Shu Li	Lin Shu Li
NT$10,000,000 (inclusive) - NT$15,000,000 (non-inclusive)	Wang Hsing Lei, Chen Ming Yi	Wang Hsing Lei, Chen Ming Yi
NT$15,000,000 (inclusive) - NT$30,000,000 (non-inclusive)	None	None
NT$30,000,000 (inclusive) - NT$50,000,000 (non-inclusive)	None	None
NT$50,000,000 (inclusive) - NT$100,000,000 (non-inclusive)	None	None
NT$100,000,000 and above	None	None
Total	3	3

Note 1: The names of General Manager and Vice General Managers are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums. Any director who concurrently holds the position of General Manager or Vice General Manager should be disclosed in this table and in Table (1-1) or (1-2) above.

Note 2: Refers to salaries, allowances, and severance pay made to General Manager and Vice General Managers in the last year.

Note 3: Refers to other compensations such as bonus, incentive, travel allowances, special allowances, subsidies, accommodation, corporate vehicle, or other in-kind benefits made to General Manager and Vice General Managers in the last year. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies should also be disclosed. Where personal drivers were allocated, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward the compensations of the above beneficiaries. Part of the salary expense was recognized according to IFRS2 “Share-Based Payment.” Amounts including employee warrants, restricted employee shares, and subscription to cash issues should also be treated as compensation.

Note 4: Represents the amount of employee remuneration allocated to General Manager and Vice General Managers (in cash or in shares), which the board of directors has proposed as part of the latest earnings appropriation. Where the amount cannot be estimated, use the percentage of the amount paid in the last year to calculate the pro-forma amount for the current year. Table 1-3 should be prepared in addition to the above details.

Note 5: Compensation should be presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company’s General Manager and Vice General Managers.

Note 6: The amount of compensation paid by the Company to its General Manager and Vice General Managers are disclosed separately in ranges.

Note 7: The disclosure should include all companies covered by the consolidated financial statements (including the Company) to the Company’s General Manager and Vice General Managers. The names of General Manager and Vice General Managers have been disclosed separately in ranges.

Note 8: Net income refers to the amount of profit shown in the latest parent company only or individual financial reports.

Note 9: a. This field should disclose all forms of compensation that General Manager and Vice General Managers received from the Company’s parent company or business investments other than subsidiaries (please fill in "None" if absent).

b. For General Manager and Vice General Managers who received compensation from parent company or business investments other than subsidiaries, amounts received from these business investments or parent company should be added to column E of the compensation brackets table. In this case, column E will be renamed "parent company and all business investments."

c. Compensation refers to any return, remuneration (including remuneration received as an employee, director, and supervisor) and professional service fee that the Company's General Manager and Vice General Managers received for serving as director, supervisor, or manager in the parent company or business investments other than subsidiaries.

* The basis of compensation disclosed above is different from the basis of the Income Tax Act, hence the above table has been prepared solely for information disclosure, and not for tax purpose.

(IV) Names of names and distributions of employee profit-sharing compensation to managerial officers entitled to employee remuneration and amount entitled

Unit: NT$ thousand

	Title	Name	Amount paid in shares	Amount paid in cash	Total	The sum as a percentage of net income (%)
Manager	President	Wang Shiu Ting	0	12,073	12,073	1.25%
	Chairman	Wang Hsing Lei				
	General Manager	Chen Ming Yi				
	Vice General Manager of Sales	Lin Shu Li				
	Senior Assistant General Manager of the Sales Dept.	Lee Cheng Chung				
	Assistant General Manager of the Production Dept.	Chang Mu Lan				
	Assistant General Manager of the R&D Dept.	Wu Chih Hao				
	Assistant General Manager of the Product Management & Development Dept.	Hu Chiu Chih				
	Assistant General Manager and Head of Finance	Huang Zhen Fang				
	Section Chief and Head of Accounting	Lin Shu Juan				

Note 1: Names and titles should be disclosed separately, whereas the amount of profit sharing should be disclosed in aggregate.

Note 2: Refers to the amount of employee remuneration allocated to managers (in cash or in shares), which the board of directors has proposed as part of the latest earnings appropriation. Where the amount cannot be estimated, use the percentage of the amount paid in the last year to calculate the pro-forma amount for the current year. Net income refers to that in the last year. If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest parent company only or individual financial reports.

Note 3: Pursuant to FSC Letter Tai-Cai-Zheng-III-Zi No. 0920001301 dated Mar. 27, 2003, the role of manager covers the following positions:

(1) General Manager or other position of equivalent grade

(2) Vice General Manager or other position of equivalent grade

(3) Assistant General Manager or other position of equivalent grade

(4) Head of a finance department

(5) Head of an accounting department

(6) Any other authorized signatories involved in the company's administrative affairs

Note 4: For Directors, General Managers and Vice General Managers who receive employee remuneration (in cash or in shares), details shall be disclosed in this table in addition to Table 1-2.

(V) Percentage (%) of standalone net income paid by the Company and all companies included in the consolidated financial statements as compensation to the Company's Directors, Supervisors, General Managers, and Vice General Managers in the last 2 years

1.Compensation paid to the Company's Directors, Supervisors, General Managers, and Vice General Managers in the last 2 years, and percentages relative to standalone net income

Item \ Year	2021		2022	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Total director compensation as a percentage of net income	6.38%	6.56%	6.44%	6.60%
Total supervisor compensation as a percentage of net income	0	0	0	0
Total compensation to General Managers and Vice General Managers as a percentage of net income	2.33%	2.51%	2.17%	2.33%

2. Compensation policies, standards, packages, and procedures, and association with future risks and business performance:

The Company allocates remuneration to directors and employees according to its Articles of Incorporation and dividend policy. The amount of remuneration takes into account the Company's profitability and future operating requirements, for which the Remuneration Committee would raise a proposal for discussion, approval, and implementation by the board of directors. Salary and compensation for General Managers and Vice General Managers are paid at levels comparable to peers, irrespective of profitability. When discussing compensation proposals from the Remuneration Committee, the board of directors would take into consideration the amount of compensation proposed, the method of payment, and risks that the Company may be prone to in the future. The Chairman is authorized by the board of directors to determine managers' compensation based on the nature of their work, their duties, education, experience, skills, and potential. Therefore, it should not have impact on future risks.

(3) **Corporate governance:**

(I) Functionality of board of directors:

A total of 7 board of directors meetings (A) were held in 2022; below are directors' attendance records:

Title	Name	Number of in-person attendances (B)	Number of proxy attendances	Percentage of in-person attendances (%) (B/A)	Remarks
Director	Wang Shiu Ting	7	-	100%	Elected on Jun. 17, 2022
Chairman	Wang Hsing Lei	7	-	100%	Elected on Jun. 17, 2022
Director	Representative of Taiwan Semiconductor Manufacturing Co., Ltd.: Luo Yue Gui	7	-	100%	Elected on Jun. 17, 2022
Director	Chen Ming Yi	5	-	100%	Elected on Jun. 17, 2022
Independent Director	Ma Chia Ying	7	-	100%	Elected on Jun. 17, 2022
Independent Director	Li Chun Chi	7	-	100%	Elected on Jun. 17, 2022
Independent Director	Wu Chi Ming	2	-	100%	Resigned on Jun. 16, 2022
Independent Director	Lin Tuo Zhi	4	-	80%	Elected on Jun. 17, 2022

Other mandatory disclosures:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions:

1. Conditions described in Article 14-3 of the Securities and Exchange Act: None.
2. Any other documented objections or reservations raised by independent director against board resolutions in relation to matters other than those described above: None.

II. Disclosure regarding avoidance of motions involving conflict of interest, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

Director	Motion	Reason for Recusal for Conflict of Interest	Voting Participation
Wang Hsing Lei	Election of the 6th term Chairman of the Board of Directors	The content of the motion involves the director's own interest	Did not participate in discussion and voting
Chen Ming Yi	Appointment of General Manager	The content of the motion involves the director's own interest	Did not participate in discussion and voting

III. Cycle, period, scope, method, and detail of board performance self (peer) evaluation:

Assessment cycle	Assessment period	Scope of assessment	Assessment method	Assessment details
Executed once a year in accordance with the "Rules for Self-Evaluation or Peer Review of the Board of Directors" approved by the Seventeenth Meeting of the 5th Term Board of Directors on Mar. 25, 2020; the Company evaluates Board performance of the previous year before the end of the first quarter in the following year.	Jan. 1, 2022 to Dec. 31, 2022	The scope of assessment covers performance of the board as a whole, the individual directors, and functional committees.	Board assessment Board members' individual self-assessment and overall assessment. Functional committee assessment.	Board performance assessment uses a total of 45 indicators covering five major aspects: 1.Participation in the Company's operations. 2.Improvement of the board's decision quality. 3.Composition of the board of directors. 4.Election and continuing education of directors. 5. Internal control. Outcome of the 2022 assessment: Excellent (score of 4.84). Board member performance self-assessment uses a total of 25 indicators covering six major aspects: 1. Comprehension of the Company's targets and missions. 2. Awareness of the director' duties. 3. Participation in the Company's operations. 4.Management and communication of internal relations. 5. Professionalism and ongoing education of directors. 6.Internal control. Outcome of the 2022 assessment: Excellent (score of 4.84). Audit Committee performance assessment uses a total of 22 indicators covering five major aspects: 1.Participation in the Company's operations. 2.Awareness towards the duties of the functional committee. 3. Improvements to the quality of decisions made by the functional committee.

Assessment cycle	Assessment period	Scope of assessment	Assessment method	Assessment details
				4. Composition of the functional committee and selection of committee members. 5. Internal control. Outcome of the 2022 assessment: Excellent (score of 4.91). Remuneration Committee performance assessment uses a total of 19 indicators covering four major aspects: 1. Participation in the Company's operations. 2. Awareness towards the duties of the functional committee. 3. Improvements to the quality of decisions made by the functional committee. 4.Composition of the functional committee and selection of committee members. Outcome of the 2022 assessment: Excellent (score of 4.89).

IV. Enhancements to the functionality of the board of directors in the current and the last year (e.g. assembly of an Audit Committee, improvement of information transparency, etc.), and progress of such enhancements:

1. The Company voluntarily assembled an Audit Committee in place of supervisors in accordance with Article 14-4 of the Securities and Exchange Act on Jun. 18, 2010.
2. Enhancements to the functionality of the Board of Directors, and progress of such enhancements:

(1)Among the seven incumbent directors in 2022, three are independent directors, more than one-third of the members are independent. The three independent directors are also concurrently serving as the Audit Committee and Remuneration Committee to assist and supervise the Board of Directors and report periodically to the Board on the status of their operations.

(2)Directors' Continuing Education: The Company arranges diversified external training courses for directors to enhance their professionalism, faithful execution of business, and good administrator's duty of care, and to help the directors fully utilize their operational decision-making and leadership, as well as maintain their core values and professional competence.

(3)In an effort to improve information transparency, the Company has established a "Stakeholder" section on its corporate website to information pertaining to "Corporate Governance" and "Corporate Social Responsibility (CSR)". In addition, vital information pertaining to decisions made by the board has also been made public on the Market Observation Post System (MOPS) website and our corporate website. The Company had also held periodic investor conferences for the general public and in 2022, the Company held a total of four investor conferences.

(4)To ensure that directors are adequately protected from the potential risks arising from their duties, the Company has provided liability coverage for all directors each year. Contents of their liability coverage have been reviewed periodically to ensure that the insurance payout and scope of courage are adequate.

(5)Pursuant to the "Self-Evaluation of the Board of Directors", the Company has been conducting performance assessment for the Board of Directors and the functional committees on a yearly basis. The outcome of the performance assessment for 2022 has been presented to the Board in the 1st Board Meeting for 2023.

(II) Involvement of Audit Committee members or supervisors in Board of Directors meetings:

A total of 6 Audit Committee meetings (A) were held in 2022; independent directors' attendance records are summarized below:

Title	Name	Number of in-person attendances (B)	Number of proxy attendances	Percentage of in-person attendances (%) (B/A)	Remarks
Independent Director	Ma Chia Ying	6	0	100%	Elected on Jun. 17, 2022
Independent Director	Li Chun Chi	6	0	100%	Elected on Jun. 17, 2022
Independent Director	Wu Chi Ming	2	0	100%	Resigned on Jun. 16, 2022t
Independent Director	Lin Tuo Zhi	3	0	75%	Elected on Jun. 17, 2022

Other mandatory disclosures:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of the board of directors meeting held, the discussed topics, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions:

1. Conditions described in Article 14-5 of the Securities and Exchange Act:

Audit Committee/Date	Meeting session	Major resolutions	Suggestions/ Objections from independent directors	Resolution by Audit Committee	Action taken by the Company per Audit Committee's opinion
Mar. 28, 2022	The 4th board 18th meeting	1.Presentation of the Company's 2021 business report and financial statements. 2.Presentation of the Company's 2021 earnings appropriation. 3.Amendments to the Articles of Incorporation. 4 Amendments to the "Asset Acquisition and Disposal Procedures."	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None

Audit Committee/Date	Meeting session	Major resolutions	Suggestions/ Objections from independent directors	Resolution by Audit Committee	Action taken by the Company per Audit Committee's opinion
May 11, 2022	The 4th board 19th meeting	1. Presentation of the Company's Consolidated Financial Statement for 2022 Q1. 2. Offering of endorsement/guarantee to U.S. subsidiary TSC Auto ID Technology America Inc. 3. Offering of a loan to U.S. subsidiary TSC Auto ID Technology America Inc.	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None
Jun. 28, 2022	The 5th board 1st meeting	1. Electing the convener and Chairperson of the 5th Audit Committee. 2. Proposal to transfer 5% of the Company's shares in Printronix Auto ID Technology Inc., a U.S. sub-subsidiary, to TSC Auto ID Technology America Inc. 3. Proposal to merge TSC Auto ID Technology America Inc., a U.S. subsidiary of the Company, with Printronix Auto ID Technology Inc., a U.S. sub-subsidiary of the Company.	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None
Aug. 9, 2022	The 5th board 2nd meeting	1. Presentation of the Company's Consolidated Financial Statement for 2022 Q2.	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None
Nov. 9, 2022	The 5th board 3rd meeting	1. Change of CPA in conjunction with Deloitte Taiwan's internal rotation arrangement. 2. Presentation of the Company's Consolidated Financial Statement for 2022 Q3. 3. Offering of endorsement/guarantee to U.S. subsidiary TSC Auto ID Technology America Inc. 4. Offering of a loan to U.S. subsidiary Diversified Labeling Solutions Inc. 5. Amendments to the "Procedures for Handling Material Internal Information".	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None
Dec. 27, 2022	The 5th board 4th meeting	1. The Company's 2022 audit plan. 2. Assessment of the independence and suitability of CPAs.	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None
Mar. 15, 2023	The 5th board 5th meeting	1. Acquisition of shares of the Polish company MGN sp. z o.o. through Mosfortico Investments sp. z o.o., a 100% owned Polish subsidiary. 2. Capital increase in Mosfortico Investments sp. z o.o., a Polish subsidiary. 3. Loans to Mosfortico Investments sp. z o.o., a Polish subsidiary. 4. Presentation of the 2022 business report and financial statements. 5. Presentation of the 2022 earnings appropriation. 6. Issuance of new shares through capitalization of 2022 earnings. 7. Amendments to the Articles of Incorporation. 8. Amendments to the "Asset Acquisition and Disposal Procedures." 9. Termination of the credit line to U.S. subsidiary TSC Auto ID Technology America Inc.	No objection or reservations from all independent directors	Adopted by unanimous consent from all participating members	None

2. Other than those described above, any resolutions not supported by the Audit Committee but approved by more than two-thirds of the directors: None.

II. Avoidance of involvement in discussions involving conflict of interest by independent directors; state the names of concerned independent directors, the discussions, the nature of conflicting interests, and the voting process:

Independent Director	Motion	Reason for Recusal for Conflict of Interest	Voting Participation
Ma Chia Ying	Electing the convener and Chairperson of the 5th Audit Committee	The content of the motion involves the independent director's own interest	Did not participate in discussion and voting

III. Status of communication with independent directors and chief internal auditor (including the items, methods and outcomes of corporate finance, sales performance and so forth):

1. Status of Communication With Independent Directors and Internal Audit:

Date	Method of communication	Issues discussed	Outcome
Mar. 28, 2022	Audit Committee and Board of Directors	1. Report on the implementation of internal audit operations for 2021 Q4. 2. Declaration of Internal Control System for 2021.	No objections
May 11, 2022	Audit Committee and Board of Directors	1. Report on the implementation of internal audit operations for 2022 Q1.	No objections
Aug. 9, 2022	Audit Committee and Board of Directors	1. Report on the implementation of internal audit operations for 2022 Q2.	No objections
Nov. 9, 2022	Audit Committee and Board of Directors	1. Report on the implementation of internal audit operations for 2022 Q3.	No objections
Dec. 27, 2022	Audit Committee and Board of Directors	1. The Company's 2023 audit plan.	No objections
Mar. 15, 2023	Audit Committee and Board of Directors	1. Report on the implementation of internal audit operations for 2022 Q4. 2. Declaration of Internal Control System for 2022.	No objections

2. Status of Communication With Independent Directors and CPAs:

Date	Method of communication	Issues discussed	Outcome
Mar. 28, 2022	Convened independent meeting	1. Outcome of 2021 financial statement audit. 2. Consolidated standalones for 2021. 3. Key Audit Issues. 4. Other issues. 5. Regulatory update.	1. Addressing the questions raised by the independent directors. 2. Noted with no further recommendations.
Dec. 27, 2022	Convened independent meeting	1. Annual audit planning. 2. Communicated on key audit issues. 3. Brief introduction of the Audit Quality Indicators (AQIs).	1. Addressing the questions raised by the independent directors. 2. Noted with no further recommendations.
Mar. 15, 2023	Convened independent meeting	1. Outcome of 2022 financial statement audit. 2. Consolidated standalones for 2022. 3. Key Audit Issues. 4. Other issues.	1. Addressing the questions raised by the independent directors. 2. Noted with no further recommendations.

IV. Audit Committee Annual Work Focus:

1. The Audit Committee of the Company operates with the following primary matters of oversight:
   (1) Fair presentation of the Company's financial statements.
   (2) Selection, termination, independence, and performance of the CPAs.
   (3) Effective implementation of the Company's internal control.
   (4) The Company's compliance with relevant laws and regulations.
   (5) Control of existing or potential risks of the Company.
2. The main issues considered by the 2022 Audit Committee include:
   (1) Audit of financial statements.
   (2) Annual audit plans.
   (3) Change of CPAs.
   (4) Assessment of CPAs' eligibility and independence.
   (5) Significant asset transactions.
   (6) Significant loans, endorsements, and guarantees.
   (7) Amendments to the "Asset Acquisition and Disposal Procedures".
   (8) Amendments to the Articles of Incorporation.
   (9) Amendments to the "Procedures for Handling Material Internal Information".

(III) Corporate governance and deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
I. Has the Company established and disclosed its corporate governance principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established the "TSC Auto ID Technology Co., Ltd. Corporate Governance Code of Conduct" and published details in the Corporate Governance section of its website, where stakeholders may download it for reference.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
II. Shareholding structure and shareholders' interests (I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		(I) The Company has a spokesperson system and a shareholder service unit in place; contact details have been fully disclosed on the Company's webpages, so that shareholders may express opinions through telephone or e-mail and have their queries handled properly according to relevant procedures.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
(II) Is the Company constantly informed of the identities of its major shareholders with actual control of the Company and their ultimate controllers?	✓		(II) The Company makes monthly regulatory reports and establishes the identities of its controlling shareholders and major shareholders through a stock transfer agent. The Company contacts its major shareholders if necessary.	

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		(III) Chapter 2, Article 14 of the Company's Corporate Governance Code of Conduct states that the Company shall establish clear boundaries that separate its management goals, responsibilities, and authority (pertaining to personnel, assets, finance, etc.) from those of affiliated enterprises, and duly perform risk assessment with appropriate firewalls implemented as controls. Furthermore, the Company's business and accounting departments function independently from each other and are run by dedicated employees. Operations are subject to unscheduled audits from the parent company, and are in compliance with the "Regulations Governing Transactions with Related Parties, Group Companies, and Certain Companies" established by the Company.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
(IV) Has the Company established internal policies that prevent insiders from trading securities using non-public information?	✓		(IV) The Company has established robust procedures and systems for handling and disclosing material insider information, which not only prevent inappropriate leakage of information but also ensure the consistency and accuracy of information disclosed to outsiders. The Company has also implemented internal policies including the "Procedures for Handling Material Inside Information", "Insider Trading Prevention Policy" and "Ethical Behavior Guidelines" to prevent insider trading, and published details in the Corporate Governance section of its website to serve as reference for investors and employees.	

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>III. Composition and responsibilities of the board of directors
(I) Has the Board of Directors established a diversity policy and specific management objectives, and implemented such measures?</td><td>✓</td><td></td><td>The Company has outlined criteria for the diversity of the Board as part of its Corporate Governance Code of Conduct to ensure that the Board consists of directors with different skill sets, backgrounds, and experience. The gender ratio, age distribution, structure, and composition of directors are evaluated and reviewed simultaneously at each election.
<table>
<tr><th>Skills / Name of director</th><th>Gender</th><th>Operational judgment</th><th>Accounting and financial analysis</th><th>Business administration</th><th>Crisis management</th><th>Industry knowledge</th><th>International market view</th><th>Leadership</th><th>Decision making</th></tr>
<tr><td>Wang Shiu Ting</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Wang Hsing Lei</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Rep. of Taiwan Semiconductor Manufacturing Co., Ltd.: Luo Yue Gui</td><td>Female</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Chen Ming Yi</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Ma Chia Ying</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Li Chun Chi</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Lin Tuo Zhi</td><td>Male</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
</table></td><td>Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</td></tr>
<tr><td>(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</td><td></td><td>✓</td><td>The Company has assembled a Remuneration Committee and an Audit Committee. As for other functional committees, the Company currently adopts alternative arrangements for the effective use of resources in place of assembling other functional committees, but may assemble additional committees in the future if there is a need to do so.</td><td>Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</td></tr>
</table>

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(III) Has the Company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis? Are performance evaluation results reported to the Board of Directors, and used as reference for the compensation and nomination of individual directors?	✓		The Company has implemented a "Board Performance Self-Evaluation or Peer Evaluation Policy" and has been assessing the performance of individual directors through self-assessment and the board as a whole annually since 2020. Outcomes of the 2022 director performance assessment were reported during the 6th meeting of the 6th board of directors on Mar. 15, 2023. Furthermore, the Company has stated in its "Remuneration Committee Charter" that directors' and managers' performance is subject to regular assessments.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
(IV) Is the independence of external auditors assessed on a regular basis?	✓		Each year, the Audit Committee conducts routine assessment of the certification of CPA's independence, reviews the CPAs' statement of independence, and reports the results of the assessment to the Board of Directors. Please refer to Page 50~52 " CPA Independence Assessment" in this Report. The Audit Quality Indicators (AQIs) report issued by the CPAs of the Company was reviewed and approved by the 4th meeting of the 5th term Audit Committee in 2022 and the 5th meeting of the 6th term Board of Directors in 2022. The Company has never not changed its CPAs for seven consecutive years.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
IV. Has the TWSE/GTSM listed company allocated an adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	✓		The Finance Dept. is concurrently responsible for overseeing corporate governance affairs, which includes the following duties: 1. Handling of board meeting and shareholder meeting affairs in accordance with laws. 2. Preparation of board/shareholder meeting minutes. 3. Assisting directors with their duties and ongoing education. 4. Providing directors with the information needed to perform duties. 5. Assisting directors with compliance issues. 6. Other tasks specified in the Articles of Incorporation or contracts.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	✓		1. The Company has created a stakeholders section and an investors section on its website (www.tscprinters.com) to serve as contact windows for addressing key corporate social responsibility issues that are of concern to stakeholders. Refer to Page 53~56 of this Annual Report for the report on communication with stakeholders for the year 2022. 2. A "Corporate Governance" section has been created on the Company's website, where investors may download the Company's governance policies and inquire on governance practices. 3. The Company has also created a dedicated "Corporate Social Responsibility" webpage on its website that stakeholders may use to gain updates on the Company's CSR progress.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
VI. Does the Company engage a stock transfer agent to handle shareholder meeting affairs?	✓		The Company has commissioned the Agency Department of CTBC Bank to handle share administration affairs.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information?	✓		The Company's website www.tscprinters.com provides information on finances, business, Board of Directors' resolutions, presentations at legal meetings, and stakeholder contact windows, and has dedicated personnel to maintain and update the data.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(II) Has the Company adopted other means to disclose information (e.g. an English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)?	✓		The Company has assigned dedicated personnel to gather and disclose company information. Meanwhile, a spokesperson, an acting spokesperson, and an investor mailbox have been set up to promptly respond to investors' queries. All information that the Company is bound to disclose by law has been published on the "Market Observation Post System" in a timely manner, where investors may inquire on their own.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
(III) Does the Company publish and officially file annual financial reports within two months after the end of the accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance before the designated due dates?	✓		As per Article 36 of the Securities and Exchange Act. The company will announce the annual Financial report with the prescribed time line after the end of the fiscal year., Nevertheless, The company is able to announce the 1st to 3rd quarters Financial reports and the monthly business performance before the required due dates.	

VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, and liability insurance for directors and supervisors)?	✓		(I) Employees' rights and employee care: 1. The Company has set up an Employee Welfare Committee to design and organize activities for employees' physical and mental health. Other benefits such as domestic and foreign travel subsidies, wedding/funeral subsidies, etc., are offered to enhance the working relationship and sense of unity among employees. In addition to mandatory Labor Insurance and National Health Insurance coverage, the Company also arranges group insurance (including accident and medical coverage) for employees. 2. The Company has implemented "Employee Education and Training Procedures" to help employees develop character, skills, efficiency, and quality. A training plan encompassing orientation, on-the-job training, and external training is devised on a yearly basis to support the training of professional talent and facilitate the optimal use of human resources. 3. The Company has developed its pension system and "Worker Retirement Policy" in accordance with the Labor Standards Act. A labor pension fund account has been opened with the Bank of Taiwan, and the Company makes monthly contributions into the account at 2% of employees' total salary.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			(II) Investor relations and stakeholders' interests: 1. Information is disclosed on the Market Observation Post System and the Company's website (www.tscprinters.com) to give investors a better understanding of how the Company performs. Other means of communication such as shareholder meetings and spokespersons are also used to interact with investors. 2. The Company maintains open communication channels with consumers, employees, investors, and suppliers, and respects and protects their rightful interests. 3. The Company subscribes to product liability insurance each year for the protection of consumers worldwide. Proper product management and improvement practices are taken to reduce corporate risks. (III) Supplier relations: The Company convenes supplier conferences at its subsidiary locations around the world from time to time to learn suppliers' needs and to enhance supplier relations.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			(IV) Stakeholders' interests: The Company and the Company's website disclose the contact persons and contact methods for stakeholders, and communicate directly with the interested parties, respecting and protecting their legitimate rights and interests. (V) Directors' and supervisors' ongoing education: All of the Company's directors have professional backgrounds and practical experience in the management of the industry. The Company also provides information on external corporate governance courses for directors to take from time to time. (VI) Implementation of risk management policy and risk measurement criteria: The Company has implemented internal policies and systems in accordance with laws to manage and assess risks. (VII) Implementation of customer policy: The Company conducts customer satisfaction surveys twice a year to learn customers' concerns and needs, and thereby maintain good relationship. (VIII) Liability insurance for directors and supervisors: The Company has purchased liability insurance for directors for a sum of US$4 million. Details can be found on the Market Observation Post System.	Complies with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td colspan="5">IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by the TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:
According to the outcome of the 2022 (9th) Corporate Governance Evaluation published by the competent authority, there are deficiencies in the Company’s corporate governance in different aspects such as safeguarding shareholders’ rights and treating shareholders equally, strengthening the structure and operation of the Board of Directors, enhancing information transparency, and implementing corporate social responsibility. The Company’s corporate governance enforcing unit has made or planned the following improvements with specific regards to the deficiencies highlighted in the evaluation:
(I) Improvement progress
1. The handbook and supplementary information of the shareholders’ meeting were uploaded 30 days prior to the annual shareholder’s meeting.
2. The English version handbook and supplementary information of the shareholders’ meeting were uploaded 30 days prior to the annual shareholder’s meeting.
3. The English version annual report was uploaded 16 days prior to the annual shareholder’s meeting.
4. The Chairman of the Board of Directors and the General Manager or other person of equivalent rank of the Company are not the same person or spouses or relatives of the first degree of kinship of each other.
5. The Company has established a structure of cybersecurity risk management, formulated cybersecurity policies, specific management solutions, and resources committed towards cybersecurity management, which has been disclosed on the Company’s website or Annual Report.
(II) Priority enhancements and measures
1. In line with the government’s 2050 net-zero emissions target, the Company has initiated greenhouse gas inventory plans.
2. The Company has established a an exclusive (or concurrent) dedicated unit to be in charge of sustainable development. In accordance with the materiality principle, the Company conducts risk assessments of environmental, social, and corporate governance issues pertaining to company operations and establishes the relevant risk management policy or strategy. The Board of Directors monitors the Company’s status of sustainable development.
3. The Company regularly discloses the specific plans and results of its ESG initiatives.</td></tr>
</table>

(Table 1)

TSC Auto ID Technology Co., Ltd.

Assessment of the independence and suitability of CPAs

Assessment criteria	Suitability and Independence
1. Items of financial interest: 1.1 Has "direct financial interest" with the audit client. 1.2 Has "material indirect financial interest" with the audit client. 1.3 Has "material financial interest" with another company that the audit client has control and influence over.	**1. Items of financial interest:** 1.1 None. 1.2 None. 1.3 None.
2. Financing and Guarantees: 2.1 Has acquired financing/guarantees from a financial institution via illegitimate business conduct. 2.2 Has acquired financing/guarantees from a non-financial institution audit client. 2.3 Has offered reciprocal financing/guarantees to a non-financial institution audit client.	**2. Financing and Guarantees:** 2.1 None. 2.2 None. 2.3 None.
3. Close business relationship with audit client: 3.1 Has close business relationship with audit client. 3.2 Has close business relationship with the director/supervisor/manager of the audit client.	**3. Close business relationship with audit client:** 3.1 None. 3.2 None.
4. Being employed by or serving at audit client's company: 4.1 The Certifying CPA is currently serving (or has served in the past two years) as a director/supervisor/manager at the audit client's company or being appointed/employed to assume a position that has material impact on the audit. 4.2 Is currently serving as a director/supervisor/manager at the audit client's company or being employed to assume a position that has material impact on the audit. 4.3 Has served as a director/supervisor/manager at the audit client's company or being employed to assume a position that has material impact on the audit during the audit period. 4.4 Has been confirmed to become a director/supervisor/manager at the audit client's company or employed to assume a position that has material impact on the audit. 4.5 Is serving as a director/supervisor at another company that the audit client has control and influence over. 4.6 Is providing services in the capacity equivalent to a director/supervisor/manager or other similar positions for the audit client.	**4. Being employed by or serving at audit client's company:** 4.1 None. 4.2 None. 4.3 None. 4.4 None. 4.5 None. 4.6 None. 4.7 None.

Assessment criteria	Suitability and Independence
4.7 Has been previously working under the commissioning or audit client in the capacity of a regular position and receiving fixed remuneration.	
5. Non-audit related items: **5.1 Rating service related items:** 5.11 Has provided a portion of the audit client's financial statement, providing material influence and highly subjective rating in the statement. 5.12 Has provided a portion of the audit client's financial statement, providing non-material/relatively less subjective rating in the statement. **5.2 Bookkeeping services:** 5.21 Has provided bookkeeping services that are non-compliant to the code of ethics for CPA. **5.3 Internal audit services:** 5.31 Has assisted or undertaken internal audit services that are non-complaint to generally accepted auditing standards. 5.32 Has assisted or undertaken internal audit services relating to the audit client's corporate operations. **5.4 Short-term personnel dispatch services:** 5.41 Has dispatched internal staff to assist the audit client to perform works relating to management decision-making, contract/document approval or signing, custody of signed financial notes and so forth. 5.42 Has dispatched internal staff to assist the audit client to perform works relating to non-management decision-making, contract/document approval or signing, custody of signed financial notes and so forth. **5.5 Recruitment of senior managers:** 5.51 Has recruited senior managers who have direct and material impact on the audit case on behalf of the audit client. **5.6 Financial management service for the Company:** 5.61 Has recommended, promoted or sold stocks or other securities issued by the audit client. 5.62 Has represented the audit client in transaction or promised terms/conditions for transaction. 5.63 Has assisted audit client in the development of corporate strategies. 5.64 Has provided matchmaking service of funding sources for audit client. 5.65 Has provided structural suggestions for audit client's transaction or influenced the client's accounting analytics.	**5. Non-audit related items:** **5.1 Rating service related items:** 5.11 None. 5.12 None. **5.2 Bookkeeping services:** 5.21 None. **5.3 Internal audit services:** 5.31 None. 5.32 None. **5.4 Short-term personnel dispatch services:** 5.41 None. 5.42 None. **5.5 Recruitment of senior managers:** 5.51 None. **5.6 Financial management service for the Company:** 5.61 None. 5.62 None. 5.63 None. 5.64 None. 5.65 None.
6. Other Matters: **6.1 Gifts and presents:** 6.11 Has receive gift or present of significant monetary value from the audit client.	**6. Other Matters:** **6.1 Gifts and presents:** 6.11 None. 6.12 None.

Assessment criteria	Suitability and Independence
6.12 Has received a gift or present of significant monetary value from the director/supervisor/manager of the audit client. **6.2 Remuneration and commission:** 6.21 Has entered into agreement with audit client involving contingent fees. 6.22 Has requested, accepted offers or any illegitimate commission.	**6.2 Remuneration and commission:** 6.21 None. 6.22 None.

(Table 2)

TSC Auto ID Technology Co., Ltd.
2022 Stakeholder Communication Report

Stakeholder	Topic of Concern	Communication Channels and Operations	Implementation Result
Customer	● Customer Relations Management	● Direct communication and response to customers by phone and mail through specialists ● Customer satisfaction questionnaire survey ● Customer satisfaction surveys twice a year to learn customers' concerns and needs ● Distributor conferences in India and the US at least once a year to introduce new products, educate and train distributors, and share market dynamics to strengthen cooperation with distributors	● No major communication problems or disputes with customers ● The average score of the first customer satisfaction survey in 2022 was 3.88 (out of 5.0) ● Increased adhesion of distributors to the Company
Investor	● Company Operations Outlook ● Financial Performance ● Dividend policy	● Annual Report ● Investors' area on the Company's website ● Shareholders' meeting ● Investor conference ● Information in English	● The Company regularly discloses its financial performance and review and analyzes its operations and information through the stock exchange website and annual reports. ● Regular shareholder meetings are held to explain the operating performance to investors and to answer their concerns. ● Four investors conferences a year to enhance the Company's exposure and transparency and to increase the frequency of dialogue with investors. ● The Company has added English versions of shareholders' meeting notices, handbooks, Annual Reports, minutes of shareholders' meetings, quarterly financial reports, and major information announcements in English, in order to enhance communication with foreign investors.

Supplier	● Supply Chain Management	● Direct communication and response with vendors through purchasing and quality control departments by phone, mail, and visits ● Purchasing contracts ● Supplier on-site audits ● The Company convenes supplier conferences on an unscheduled basis to learn suppliers' issues and to promote policies on the green supply chain	● Suppliers are instructed and given assistance to pass certification for quality management systems, control the use of raw materials, and make sure that the products and materials supplied conform with the Company's quality requirements.
Staff	● The Company's Targets and Policies	● All Hands Meeting ● Year-end Summit ● Global management meeting ● Headquarters managers meeting	● From the second half of 2022 and onwards, the Company consolidated all the management meetings based on the purpose of the meeting and the strategy level, in order to be more focused and efficient in meetings. ● Through policies of the quarterly staff meetings, monthly global management meetings, and headquarters managers meetings, are communicated more accurately and cross-departmental discussions and collaboration are enhanced. ● The first global strategy meeting was held in Nov. 2022, inviting senior executives from all over the world to participate in the formulation of the Company's strategy for the next 3-5 years, allowing for more comprehensive strategic thinking and more consensus and commitment in execution.
	● Employee Compensation and Benefits	● Salary review and adjustment ● Promotion nomination and review ● Employee Benefits Committee	● Through the annual promotion nomination and salary review process, colleagues' salaries can be more reasonable, close to or even better than the market standard. ● In 2022, the Company adjusted the holiday bonus payment method to provide more security to its employees and strengthen the Company's competitiveness in the talent market. ● In recent years, the Company has reduced the number of large-scale events due to the

			pandemic, and the Welfare Committee has switched to smaller, alternative events to maintain interaction and fun activities for employees in a relatively safe environment.
	● Employee Training and Development	● Performance reviews and interviews ● Individual development plans (IDP) ● Education and training ● Health and lifestyle lectures	● In 2022, six IDP Workshops were held for colleagues to better understand and implement IDP, and to create win-win growth for individuals and the Company. ● Under the pandemic, diverse working formats have emerged, and more online courses were added to the training in 2022, so that employees can learn uninterruptedly without time and location constraints. ● Annual training surveys and pre-course interviews made the course contents more in line with the needs of the departments and employees to maintain good learning results and satisfaction. ● In addition to enhancing soft and hard skills for work, the Company also arranges a series of health and lifestyle lectures for employees to elevate their quality of life and achieve a work-life balance.
	● Employee Relations and Care	● Labor-management conference ● Labor safety conference ● 2022 employee opinions survey ● Employee suggestion mailbox ● Team-building	● The Company has established a two-way communication platform between employers and employees through regular labor-management meetings and labor safety meetings to create a healthy and friendly workplace. ● The Company attaches great importance to the results of the annual employee opinion survey. After the survey, the Company invites colleagues to discuss the direction of improvement in order to make TSC a better workplace. The satisfaction rate of employee opinion survey results has also increased year by year. In addition to the annual survey, employees may also provide feedback on

			their ideas and opinions to the Company through the suggestion mailbox at any time. ● The 2022 theme of team-building was cross-departmental collaboration. Through cross-departmental activities, colleagues can get to know colleagues with whom they have less contact at work, and with more understanding, they can have more opportunities for collaboration. At the same time, colleagues also stimulated more creative ideas during the activities.

(IV) Disclose the composition, responsibilities, and functioning of Remuneration Committee, if available:

1. Information of Remuneration Committee members:

Apr. 18, 2023

Role (Note 1)	Name	Professional Qualifications and Experience (Note 2)	Independence Status (Note 3)	Number of positions as Remuneration Committee member in other public companies
Independent Director (Convener)	Li Chun Chi	Lecturer (or above) of finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution with no prior violation of offenses described in Article 30 of the Company Act.	1.Neither he/she or his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee at the Company. 2.Neither he/she or his/her spouse or relative within the second degree of kinship (or under the name of another person) possess the Company's shares. 3.Is not serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company (refer to Article 3, Section 1 Clauses 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). 4.Has not provided commercial, legal, financial or accounting services at the Company or any of its affiliated businesses in the past 2 years.	0

Independent Director	Ma Chia Ying	Lecturer (or above) of commerce, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution with a valid CPA certificate from passing the national CPA examination, with no prior violation of offenses described in Article 30 of the Company Act.	1.Neither he/she or his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee at the Company. 2.Neither he/she or his/her spouse or relative within the second degree of kinship (or under the name of another person) possess the Company's shares. 3.Is not serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company (refer to Article 3, Section 1 Clauses 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). 4.Has not provided commercial, legal, financial or accounting services at the Company or any of its affiliated businesses in the past 2 years.	3
Independent Director	Lin Tuo Zhi	Has working experience in business, law, finance, accounting, or company business, and does not have any of the circumstances described in Article 30 of the Company Act.	1.Neither he/she or his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee at the Company. 2.Neither he/she or his/her spouse or relative within the second degree of kinship (or under the name of another person) possess the Company's shares. 3.Is not serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company (refer to Article 3, Section 1 Clauses 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies for details). 4.Has not provided commercial, legal, financial or accounting services at the Company or any of its affiliated businesses in the past 2 years.	0

Note 1: Please state in the table for each of the Remuneration Committee member's years of work experience in relevant fields, professional qualifications and status of independence. For independent director, annotate "Refer to the Director and Supervisor Information. Please

specify if the member is an independent director or other (If the member is the Convener, please state so).

Note 2: Professional Qualifications and Experience: List and state the professional qualifications and experience for each member of the Remuneration Committee.

Note 3: Independent: Remuneration Committee members are required to declare their status of independence, (i.e. whether he/she, his/her spouse or relative within the second degree of kinship is also serving as a director, supervisor or employee of the Company or its affiliated businesses; the number of shares and percentage of the company's shares in their possession or the possession of their spouse or relative within the second degree of kinship (or under the name of another person); whether he/she is serving as a director/supervisor/employee at specific companies with financial/business relationship with the Company and so forth. Refer to Article 6, Section 1 Clauses 5~8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange for details). Independent directors must also declare the amount of compensation they have received from the Company or its affiliated businesses in the past 2 years for their comercial/legal/financial/accounting or related services.

2. Functionality of the Remuneration Committee:

(1) The Company's Remuneration Committee consists of 3 members, all of whom are independent directors.

(2) Duration of service of the current board: from Jun. 28, 2022, to Jun. 16, 2025. The Remuneration Committee held 3 meetings (A) in 2022; details of members' eligibility and attendance are as follows:

Title	Name	Number of in-person attendances (B)	Number of proxy attendances	Percentage of in-person attendances (%) (B/A)	Remarks
Convener	Li Chun Chi	3	0	100%	Elected on Jun. 28, 2022
Committee member	Wu Chi Ming	1	0	100%	Resigned on Jun. 16, 2022
Committee member	Ma Chia Ying	3	0	100%	Elected on Jun. 28, 2022
Committee member	Lin Tuo Zhi	1	0	50%	Elected on Jun. 28, 2022

3. Other mandatory disclosures:

(1) In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company handled the Remuneration Committee's opinions (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the

Remuneration Committee): The board of directors accepted all proposals of the Remuneration Committee.

(2) Objections or reservations voiced by members of the Remuneration Committee on record/written statement regarding decisions resolved: None.

(3) Item of discussion and decisions resolved by Remuneration Committee:

Remuneration Committee/Date	Meeting session	Major resolutions	Outcome of resolution	Action taken by the Company per Remuneration Committee's opinion
Mar. 28, 2022	9th meeting of the 4th board	1. Employee and director remuneration for 2021.	Adopted by unanimous consent from all participating members after consultation with the chairman	Executed as resolved
Aug. 19, 2022	1st meeting of the 5th board	1. Electing the Convener and Chairperson of the 5th Remuneration Committee.	Adopted by unanimous consent from all participating members after consultation with the chairman	Executed as resolved
Dec. 27, 2022	2nd meeting of the 5th board	1. Approval of the director and manager performance evaluation for 2022. 2. Assessment of remuneration for directors and managers in 2023.	Adopted by unanimous consent from all participating members after consultation with the chairman	Executed as resolved
Mar. 15, 2023	3rd meeting of the 5th board	1. Employee and director remuneration for 2022.	Adopted by unanimous consent from all participating members after consultation with the chairman	Executed as resolved

(V) Status of sustainable development promotion and deviations and causes of deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies:

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
I. Has the Company established and promoted its governance structure for sustainable development and established a department that is fully (or partially) committed to the promotion of sustainable development by senior management with authorization from the Board of Directors perform relevant tasks, under the supervision of the Board of Directors?	✓		In 2022, the Company established the Sustainable Development Executive Team, which consists of business, R&D, production, legal, finance, auditing, human resources, and other functional units to jointly promote and enhance environmental, social, and corporate governance, in order to implement corporate governance, develop a sustainable environment, promote social welfare, and enhance information disclosure. The Company's Sustainable Development Executive Team meets at least once a quarter to formulate sustainable development implementation strategies, adjust implementation directions, and report on implementation progress.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
II. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on the principle of materiality?	✓		The Company has implemented corporate governance, conducted risk assessment for operation-related environmental/social/corporate governance issues, endeavored to foster a sustainable development and upheld social charity in accordance with our "Sustainable Development Best Practice Principles". For details on the Company's promotion of sustainable development in 2022, refer to Page P67~69.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
III. Environmental issues	`			
(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	✓		The Company upholds its commitment to supporting the sustainable growth of society through the creation, regular audit, and evaluation of the ISO 14001 system.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(II) Is the Company c`ommitted to improving energy efficiency and using renewable materials that produce less impact on the environment?	✓		By adopting a robust operating system, the Company is able to ensure total compliance with RoHS in regards to production procedures and materials management, and thereby minimize the environmental burdens of manufacturing activities.	
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	✓		The Company examines the energy consumption of its plants and adopts conservation measures and strategies accordingly.	
(IV) Does the Company maintain statistics on greenhouse gas emissions, water usage, and total waste volume in the last two years, and implement policies aimed at reducing greenhouse gases, water and other waste?	✓		The following data has been compiled based on monthly electricity bills, water bills, and waste statistics of Yilan Factor: 1. 2021: (1) Greenhouse gas emissions: direct emission - 1.726 metric tons CO_2^e; indirect emissions - 427.84 metric tons CO_2^e. (2) Water usage: 4,528 kL. (3) Total general waste volume: 14.59 metric tons. (4) Total hazardous waste volume: 162 kgs.	

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			2. 2022: (1) Greenhouse gas emissions: direct emission - 1.519 metric tons CO_2^e; indirect emissions - 421.67 metric tons CO_2^e. (2) Water usage: 4,275 kL. (3) Total general waste volume: 14.95 metric tons. (4) Total hazardous waste volume: 203 kgs. According to statistics, purchased electricity was the main source of greenhouse gas emissions of Yilan Factor, and the Company sought to control and regulate temperature settings for air conditioning and promoted specific waste recycling (an indicator of environmental performance) solution to reduce power consumption and minimize indirect greenhouse gas emissions. According to the statistics, the indirect greenhouse gas emissions in 2022 were reduced by about 1.44% and the total weight of general and hazardous waste increased slightly by 3.76% compared to 2021.	

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflects business performance in employees' compensations?	✓		According to the Articles of Incorporation, any profits concluded from a financial year are subject to employee remuneration of no less than 2% and no more than 10%, which the board of directors may decide to distribute in shares or in cash. Regular employees who have passed the probationary period and are working in the Company are entitled to holiday bonuses for the Dragon Boat Festival, Mid-Autumn Festival, and the Lunar New Year. At the end of each year, depending on the profitability and the results of the employee's appraisal, a year-end bonus is paid to regular employees who have passed the probationary period evaluation.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		Certified by ISO45001 Occupational Health and Safety and Management System, the Company protects and provides a safe and hygienic workplace for employees so that the organization can identify and prevent risks, reduce the likelihood of accidents and illnesses among employees, and improve compliance with regulations; the Company organizes regular employee health checkups and health and safety lectures every year, and regularly repairs and maintains relevant equipment. The Company holds monthly Health & Wellness lectures to provide health and life related knowledge, helping employees recharge and relieve stress after work.	

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(IV) Has the Company implemented an effective training program that helps employees develop skills over their career?	✓		Training courses are divided into three main categories: general studies, competence studies, and professional studies. The Company offers a variety of internal courses in these categories and encourages employees to attend external training courses. Each year, the Company plans and budgets for annual training programs. Based on the results of the employee training needs survey, the current year's key projects, and employee personal development plans, the Company plans and conducts courses to enhance employee competency and professional knowledge learning and cultivate and develop talents.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(V) Has the Company complied with laws and international standards with respect to issues such as customers' health, safety, and privacy, marketing and labeling of all products and services offered, and implemented consumer or customer protection policies and complaint procedures?	✓		The Company is fully compliant with regulations in regards to product labeling and testing. It has procedures and dedicated units available to handle customer complaints, and product support/service contacts are made available on the company website.	

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(VI) Has the Company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	✓		The Company convenes supplier conferences on an unscheduled basis to learn suppliers' issues and to promote policies on green supply chain. Suppliers are instructed and given assistance to pass certification for quality management systems, control the use of raw materials, and make sure that the products and materials supplied conform with the Company's quality requirements.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
V. Does the Company prepare sustainable development reports or any reports of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by the assurance or opinion of a third-party certifier?		✓	Although the Company does not prepare sustainable development reports according to international reporting standards or guidelines, it has created a CSR section on its website and discloses relevant information on the Company's website and the Market Observation Post System.	The Company has not prepared a sustainable development report, but will do so as needed for growth or by laws.
VI. If the Company has established Sustainable Development principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has formulated its Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," has established a comprehensive internal audit system and the implemented the related regulations accordingly. The Company has been implemented gradually.				
VII. Other information useful for the understanding of sustainable development: (I) Environmental protection duties: The Company enforces the requirements of RoHS and WEEE directives in the design and manufacturing of its products, and makes declarations of compliance with environmental protection laws of the EU for its main products. The Company's Yilan Plant has been certified for ISO 14001, and the treatment of industrial waste is fully compliant with rules. (II) Community engagement, social contribution, social service, and charity: The Company continues to source talent on a large scale to support its ongoing business growth; it actively participates in recruitment events organized by the county government or relevant authorities, and strives to create employment opportunities for local residents in Yilan, subject to reasonable cost and yield.				

TSC Auto ID Technology Co., Ltd.

2022 Execution Progress of Sustainable Development

With the global trend of heightened attention to ESG issues, TSC is committed to integrating its operational strategies and sustainability goals to ensure steady growth and demonstrate a positive impact on environmental sustainability, social welfare, and corporate governance. TSC hopes to integrate its vision, governance, products, and services to strengthen communication with stakeholders and to exert a positive influence on suppliers and consumers, working together for a better society.

I. Foster a sustainable environment

In an effort to stay compliant with pertinent international directives and guidelines for environmental protection, the Company has continued to develop new energy-saving products and embraced policies that focus on the promotion of environmental promotion as our means of fostering a sustainable development. Letzer Factory and Tianjin Factory obtained ISO14001:2015 & GB/T24001-2016 certification in 2022, we also implemented specific assessment and periodic audits to review the status of energy consumption across our factories, which enabled us to implement effective energy-saving solutions and strategies. Not only that, we have also ensured full compliance with both the RoHS and WEEE Directives in our processes and material management through dedicated operating systems so that the spirit of these directives are embodied in our product design and manufacturing. Last but not least, the Company has also made relevant declarations of conformity for our main lines of products as required by relevant EU environmental regulations to reduce the burden on the environment caused by our product manufacturing. Key executions for 2022 include:

(I) Among the label printers we developed in 2022, three models have received the ENERGY STAR® certification, reflecting the energy efficiency and power-saving features of these products.

(II) We have established a culture of environmental protection and energy saving measures to reduce waste generation and promote resource recycling and reuse. In addition to promoting the issuance of electronic invoices in response to the Company's paper-reduction policy, the Li-Ze plant is committed to increasing the recycling rate of waste and reducing the impact of domestic waste on environmental sustainability. In 2022, the waste recycling rate reached 77%, improving the circular economy and following the international trend of environmental protection.

(II) The Company's 100%-owned U.S. subsidiary Diversified Labeling Solutions, Inc. has incorporated eco-friendly production process in its manufacturing of label consumables by recycling the wastes from the manufacturing process into fuel pellets to replace a portion of our petrochemical fuel. This eco-friendly solution not only reduces our volume of landfill wastes by 2 million pounds per year but also lowers our CO_2 emission by as much as 40%.

II. Facilitate social care

The Company is determined to become the most outstanding enterprise of well-being, and will continue to care for the disadvantaged and engage in public welfare as the main policy direction. The Company also continues to build a quality working environment, provides competitive compensation and benefits and a diversified learning environment, strives to create a suitable workplace for employees to work with peace of mind, and assists employees in their career development, as well as providing smooth communication channels between employers and employees, and actively understands and reasonably meets the needs of employees, in order to achieve a win-win situation for both employer and employees. In 2022, the implementation status was as follows:

(I) In order to encourage and deepen the learning culture, in 2022, the Company provided diversified learning resources, such as online business management magazines, podcasts, book clubs, seminars, recommended books, and other methods. Through the integration of online/offline resources, colleagues can learn more autonomously, without the limitation of time and topics. In addition, the Company also holds a best instructor competition to encourage colleagues to share their professional knowledge and learning experiences. In 2022, the Company held five sessions of IDP workshops for employees to strengthen the connection between Company goals and personal learning development through workshop discussions and practical work. Employees are encouraged to set personal development plans, to set goals, to seek personal breakthroughs and growth, and to in turn gain satisfaction and a sense of accomplishment.

(II) In terms of employee benefits and care, the Company adjusted the payment method of holiday bonuses and provided an extra production bonus in 2022, so that employees can have a more stable livelihood security despite the turbulent external environment. In order to help new employees adapt to the team, a new buddy program was implemented in 2022, so that each new employee will have a buddy to help them get to know the Company better, to enhance the new employees' sense of belonging, and to increase their retention rate. During the COVID-19 pandemic, in addition to providing paid vaccination leave to encourage employees to get vaccinated, the Company also provided immediate psychological support and guidance to employees through crash course guides and employee care letters. For high-risk employees, the Company provided free rapid test kits so that employees could go to work with peace of mind. In addition, the Company arranged work-from-home formats and flexible working hours, so that employees could better arrange work, health/family care, and achieve a work-life balance.

(III) In 2022, due to the impact of the pandemic, the Company reduced external events. However, the Company still upheld the spirit of caring for public welfare and giving back to the community, organizing the first event that combined employee health and weight loss with public welfare. For every kilogram that an employee lost, the Company donated a certain amount to the Taiwan Fund for Children and Families, not only to strengthen the motivation for employees to lose weight, but also to allow employees to participate in public welfare and give back to society by participating in healthy workplace activities.

III. Promote corporate governance

The Company has made a conscious effort to create a profit for our shareholders and strengthen our governance and ethical corporate management, and we continue to improve our operational information transparency as our pivotal policy towards corporate governance. In addition to providing general guidelines of conduct for directors and managers, the Company continues to achieve stable operating profits through product development, market development, and cost control. When the Company makes a profit, it also appropriately returns the profit to shareholders in accordance with the dividend policy set forth in the Articles of Incorporation. Key executions in 2022 included:

(I) The Board of Directors and functional committees conduct annual performance evaluations, the results of which for 2022 are as follows:

1. The Board of Directors not only actively participated in the operations of the Company, but also took responsibility for directing and supervising the Company's strategies, major operations, and risk management, and was able to establish a proper internal control system to meet the requirements of corporate governance.
2. The Audit Committee was mature in its overall operation and was able to fulfill its supervisory responsibilities in respect of compliance with relevant laws and regulations, risk control, and auditing matters, and fully performed its professional functions to effectively supervise the overall operation of the Company.
3. The Remuneration Committee was operating soundly and effectively performing its proper functions.

(II) In order to promote the professional knowledge and quality of the Company's directors, to develop excellent characteristics and decision-making ability, and to actively and effectively implement the corporate governance system, all seven of the Company's directors met the requirement of at least six hours of continuing education per year. The total number of study hours for 2022 was 63, which covers the most important current international sustainability issues, in addition to the basic responsibilities and duties of directors.

(III) The Company has attained steady growth in its profit margin and has managed an average cash dividend at NT$10 per share in recent years so as to give back to our shareholders.

(IV) We have also continued to strengthen our information transparency and stepped up our information disclosure to foreign investors. In addition to being invited by a securities company to host four sessions of investor conferences in 2022, and publishing important information and announcements for shareholder meetings in English, the Company also provides English versions of its financial reports, shareholders' meeting handbooks, annual reports of shareholders' meetings, and minutes of shareholders' meetings on the Market Observation Post System and the Company's website.

(VI)Enforcement of business integrity, deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Item	Actual governance			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Establishment of integrity policies and solutions (I) Has the Company established a set of board-approved business integrity policies, and stated the policies and practices it implements to maintain business integrity in its Articles of Incorporation or external correspondence? Are the board of directors and the senior management committed to fulfilling this commitment?	✓		The Company has implemented the “Business Integrity Code of Conduct” and “Ethical Behavior Guidelines,” and made related provisions in its “Work Rules.”	Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conduct that include at least the measures mentioned in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		Through employee training and awareness campaigns, the Company conveys its commitment to business integrity as well as its policies, preventive measures, and consequences of dishonest conduct. The Company has established effective accounting policies and internal control system to enforce business integrity throughout the organization. Internal auditors are assigned to conduct regular audits to ensure compliance with the abovementioned policies/system.	

Item	Actual governance			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conduct? Are the above measures reviewed and revised on a regular basis?	✓		The Company has addressed the issue in its "Business Integrity Code of Conduct" and "Ethical Behavior Guidelines" with relevant procedures enforced, reviewed, and amended on a regular basis.	
II. Enforcement of business integrity (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		The Company engages in commercial activities in a fair and transparent manner. External contracts are drafted with integrity clauses.	Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
(II) Does the Company have a unit directly under the board of directors that enforces business integrity? Does this unit report its progress regarding the implementation of the business integrity policy and prevention against dishonest conduct to the board of directors on a regular basis (at least once a year)?	✓		The Company currently does not have any unit that specializes in business integrity management; instead, business integrity is managed by individual departments within their respective duties.	
(III) Does the Company have any policy that prevents conflicts of interests, and channels that facilitate the reporting of conflicts of interests?	✓		The Company has stated in its "Work Rules" and "Ethical Behavior Guidelines" that employees, directors, and managers are not allowed to engage in or profit from any work activity that is in conflict with the Company's interests.	

Item	Actual governance			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(IV) Has the Company implemented effective accounting policies and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	✓		The Company has established effective accounting policies and internal control system to enforce business integrity throughout the organization. Internal auditors are assigned to conduct regular audits to ensure compliance with the abovementioned policies/system.	Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	✓		The Company constantly emphasizes its integrity principles in meetings, and requires all employees to adhere to business integrity rules internally and externally.	
III. Functioning of the Company's whistleblowing system (I) Does the Company provide incentives and means for employees to report misconduct? Does the Company assign dedicated personnel to investigate the reported misconduct?	✓		The Company has outlined a disciplinary system in the "Work Rules" and actively promotes employees' awareness of the disciplinary system. A mailbox has been set up on the Company's website exclusively for receiving complaints from employees; all complaints are handled by a dedicated unit.	Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Item	Actual governance			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(II) Has the Company implemented any standard procedures for handling reported misconduct, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	✓		The Company has a dedicated unit that handles misconduct reports while maintaining the confidentiality of all parties involved. Rules on misconduct reports are covered in the "Business Integrity Code of Conduct" and "Ethical Behavior Guidelines." Through employee training and awareness campaigns, the Company conveys its commitment to business integrity as well as policies, preventive measures, and consequences of dishonest conduct.	Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
(III) Does the Company have appropriate measures in place to protect whistleblowers from retaliation?	✓		Whistleblowers' identities are kept confidential throughout the entire process, and the Company assures that no penalty is imposed against whistleblowers.	
IV. Enhanced information disclosure Has the Company disclosed its integrity principles and progress on its website and MOPS?	✓		Details of the Business Integrity Code of Conduct have been disclosed on the Company's website (www.tscprinters.com), where investors and employees may inquire at will. The Finance Dept. is responsible for gathering and publishing information, and for keeping the spokesperson and acting spokesperson updated on the latest developments.	Complies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Item	Actual governance			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
V.If the Company has established business integrity policies in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has implemented the "Business Integrity Code of Conduct" and "Ethical Behavior Guidelines," and stated its integrity policies, practices, and commitments from the board of directors and the management to implementing the business policies in the "Work Rules." There was no material difference between the Company's actual practices and the Code of Conduct of the Company.				
VI. Other information relevant to understanding business integrity within the Company (e.g., review of business integrity principles amended by the Company): 1. The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, TWSE/GTSM policies, and related commercial regulations, which serve as the foundation for implementing business integrity. 2. Rules on directors' recusal have been outlined in "Board of Directors Meeting Rules," whereas the "Insider Trading Prevention Policy" regulates how directors, managers, and employees should handle material insider information. It has been stated in the Company's "Ethical Behavior Guidelines" that directors and managers may not exploit company property, information, or their vested authorities for their own gains.				

(VII) Method of inquiry for corporate governance principles and related policies, if any:

The Company currently has Ethical Behavior Guidelines, Business Integrity Code of Conduct, Corporate Governance Code of Conduct, Sustainable Development Best Practice Principles, Shareholder Meeting Conference Rules, Independent Director Responsibility Guidelines, and robust internal control and audit systems in place to enforce corporate governance. Please visit the Market Observation Post System (https://mops.twse.com.tw) and the Company's website (https://apac.tscprinters.com/zh-TW/%E9%87%8D%E8%A6%81%E5%85%A7%E9%83%A8%E8%A6%8F%E7%AB%A0) for more detailed disclosures on codes and policies.

(VIII) Other information material to the understanding of corporate governance within the Company:

1. The Company's Procedures for Handling Material Internal Information:

(1)In order to establish a mechanism for public information and material information disclosure as required by law, the Company amended its "Internal Procedures for Handling Material Information" on Nov. 8, 2022 to establish a more complete mechanism for the announcement of material information, which is handled by a dedicated unit and controlled by a spokesperson mechanism and reported to the General Manager to ensure the immediate, accurate, complete, and fair release of material information.

(2)In order to establish the Company's insider trading management mechanism, to avoid improper leakage of information, and to ensure the consistency and correctness of information released by the Company to the outside world, the Company has established the "Operating Procedures for Prevention of Insider Trading".

2. Directors' and managers' continuing education in 2022 was as follows:

Title	Name	Institution and Course	Course date	Hours
Director	Wang Shiu Ting	Accounting Research and Development Foundation- Relevant Policy Development and Internal Control Practices Pertaining to the Latest ESG Sustainability and Self-Prepared Financial Statements	Nov. 30, 2022	6.0
Chairman	Wang Hsing Lei	Accounting Research and Development Foundation- Relevant Policy Development and Internal Control Practices Pertaining to the Latest ESG Sustainability and Self-Prepared Financial Statements	Nov. 30, 2022	6.0
Representative of corporate director	Luo Yue Gui	Taipei Exchange Sustainable Development Roadmap Industry Topics Information Session	Jul. 27, 2022	2.0
		Accounting Research and Development Foundation Continuing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Oct. 20~21, 2022	12.0
Director	Chen Ming Yi	Taipei Exchange TPEx and Emerging Stock Market Insider Shareholding Seminar	Aug. 25, 2022	3.0

Title	Name	Institution and Course	Course date	Hours
		Accounting Research and Development Foundation Promoting Green Transformation: Towards Net Zero Carbon Emission Professional Training Program	Oct. 28, 2022	3.0
		Accounting Research and Development Foundation- Common Internal Control Management Deficiencies and Practical Case Studies	Dec. 21, 2022	6.0
Independent Director	Ma Chia Ying	Taiwan Institute for Sustainable Energy Taishin 30 Sustainable Net Zero Summit	Apr. 22, 2022	3.0
		Taiwan Stock Exchange 2022 Cathay Sustainable Finance and Climate Change Summit	Nov. 13, 2022 Nov. 14, 2022	9.0
		Taiwan Insurance Institute 2022 Session 16 - Task Force on Climate-Related Financial Disclosures	Nov. 15, 2022	3.0
Independent Director	Li Chun Chi	Taiwan Institute for Sustainable Energy Taishin 30 Sustainable Net Zero Summit	Apr. 22, 2022	3.0
		Taipei Exchange Release of Reference Guidelines on the Exercise of Powers and Functions by Independent Directors and the Audit Committee/Director and Supervisor Briefing	Oct. 11, 2022	3.0
Independent Director	Lin Tuo Zhi	Taipei Exchange TPEx and Emerging Stock Market Insider Shareholding Seminar	Aug. 25, 2022	3.0
		Accounting Research and Development Foundation Explanation of the General Requirements for Disclosure of Sustainability-Related Financial Information	Oct. 17, 2022	3.0
		Accounting Research and Development Foundation Reading the TCFD Report: Understanding the Main Points	Oct. 19, 2022	3.0
		Accounting Research and Development Foundation Promoting Green Transformation: Towards Net Zero Carbon Emission Professional Training Program	Oct. 28, 2022	3.0
Chief Accounting Officer	Lin Shu Juan	Accounting Research and Development Foundation Continuing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Aug. 18~19, 2022	12.0

(IX) Internal control system and execution

1. Declaration of Internal Control

TSC Auto ID Technology Co., Ltd.
Declaration of Internal Control System

Date: Mar. 15, 2023

The following declaration has been made based on the 2022 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system is the responsibility of the board of directors and managers; such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security, etc.), reliable, timely, and transparent financial reporting, and regulatory compliance.

II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.

III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by the Governing Principles consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation; 3. Control operations; 4. Information and communication; and 5. Supervision operations. Each element further encompasses several sub-elements. Please refer to the Governing Principles for details.

IV. The Company has adopted the abovementioned internal control system criteria to validate the effectiveness, design, and execution of its internal control system.

V. Based on the results of the assessments described above, the Company considers the design and execution of its internal control system to be effective as of Dec. 31, 2022. This system (including supervision and management of subsidiaries) has provided reasonable assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentations or omissions in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This declaration was passed unanimously by all seven directors present at the Company's Board of Directors meeting held on Mar. 15, 2023.

TSC Auto ID Technology Co., Ltd.

Chairman: Wang Hsing Lei

General Manager: Chen Ming-Yi

2. If the internal control system was reviewed by an external CPA, the result of such review should be disclosed: None

(X) Penalties imposed on the Company for regulatory violations, or penalties against employees for violations of the internal control system, in the last year and up until the publication date of the annual report that may significantly impact shareholders' interest or securities prices; describe details of the penalty, areas of weakness and any corrective actions taken: None.

(XI)Major resolutions passed in shareholder meetings and board of directors meetings held in the last year and up until the publication date of the annual report

1. Major resolutions of the 2022 annual shareholder's meeting:

<table>
<tr><th>Date</th><th>Major resolutions</th><th>Summary of resolutions</th><th>Execution progress</th></tr>
<tr><td rowspan="22">Jun. 17, 2022</td><td rowspan="6">1. Acknowledgment of the Company's 2021 business report and financial statements.</td><td>Adopted by unanimous consent from all participating shareholders</td><td rowspan="6">Executed as resolved.</td></tr>
<tr><td>Votes in favor: 28,914,232 (including 27,685,987 votes casted in electronic form)</td></tr>
<tr><td>Votes against: 1,221 (including 1,221 votes casted in electronic form)</td></tr>
<tr><td>Votes abstained/no votes: 155,718 (including 116,998 votes casted in electronic form)</td></tr>
<tr><td>Invalid votes: 0 (including 0 votes casted in electronic form)</td></tr>
<tr><td>Shares present at the time of voting: 29,071,171</td></tr>
<tr><td rowspan="6">2. Acknowledgment of the Company's 2021 earnings appropriation.</td><td>Adopted by unanimous consent from all participating shareholders</td><td rowspan="6">The dividend record date was set on Jul. 27, 2022, and the dividend distribution was completed on Aug. 17, 2022 (cash dividends of NT$11 per share).</td></tr>
<tr><td>Votes in favor: 29,029,232 (including 27,800,987 votes casted in electronic form)</td></tr>
<tr><td>Votes against: 1,221 (including 1,221 votes casted in electronic form)</td></tr>
<tr><td>Votes abstained/no votes: 40,718 (including 1,998 votes casted in electronic form)</td></tr>
<tr><td>Invalid votes: 0 (including 0 votes casted in electronic form)</td></tr>
<tr><td>Shares present at the time of voting: 29,071,171</td></tr>
<tr><td rowspan="6">3. Amendments to the "Articles of Incorporation" of the Company.</td><td>Adopted by unanimous consent from all participating shareholders</td><td rowspan="6">Executed in accordance with the amended Articles. The New Taipei City Government has approved the company's application for change registration form on Jul. 8, 2011.</td></tr>
<tr><td>Votes in favor: 29,029,232 (including 27,800,987 votes casted in electronic form)</td></tr>
<tr><td>Votes against: 1,221 (including 1,221 votes casted in electronic form)</td></tr>
<tr><td>Votes abstained/no votes: 40,718 (including 1,998 votes casted in electronic form)</td></tr>
<tr><td>Invalid votes: 0 (including 0 votes casted in electronic form)</td></tr>
<tr><td>Shares present at the time of voting: 29,071,171</td></tr>
<tr><td rowspan="3">4. Amendments to the "Asset Acquisition and Disposal Procedures" of the Company.</td><td>Adopted by unanimous consent from all participating shareholders</td><td rowspan="3">Executed in accordance with the amended Articles and upload MOPS.</td></tr>
<tr><td>Votes in favor: 29,029,232 (including 27,800,987 votes casted in electronic form)</td></tr>
<tr><td>Votes against: 1,221 (including 1,221 votes casted in electronic form)</td></tr>
</table>

Date	Major resolutions	Summary of resolutions	Execution progress
		Votes abstained/no votes: 40,718 (including 1,998 votes casted in electronic form)	
		Invalid votes: 0 (including 0 votes casted in electronic form)	
		Shares present at the time of voting: 29,071,171	
	5. Director Election	Director Wang Shiu Ting was elected with 24,154,601 votes	The term of office is three years, and the actual term of office is until the election of the 7th term of directors. The New Taipei City Government has approved the company's application for change registration form on Jul. 8, 2011.
		Director Wang Hsing Lei was elected with 23,883,493 votes	
		Director: Taiwan Semiconductor Manufacturing Co., Ltd. Representative: Luo Yue Gui, elected with 22,737,939 votes	
		Director Chen Ming-Yi was elected with 21,544,417 votes	
		Independent Director Ma Chia Ying was elected with 19,126,898 votes	
		Independent Director Li Chun Chi was elected with 18,272,064 votes	
		Independent Director Lin Tuo Zhi was elected with 18,142,213 votes	
	6. The release of non-competition restrictions for the Company's directors	Adopted by unanimous consent from all participating shareholders	The non-competition restrictions have been lifted.
		Votes in favor: 28,873,662 (including 27,645,417 votes casted in electronic form)	
		Votes against: 19,635 (including 19,635 votes casted in electronic form)	
		Votes abstained/no votes: 177,874 (including 139,154 votes casted in electronic form)	
		Invalid votes: 0 (including 0 votes casted in electronic form)	
		Shares present at the time of voting: 29,071,171	

2. Major Board of Directors resolutions in 2022:

Date of meeting	Meeting session	Major resolutions	Outcome of resolution	Objection/reservation from independent director
Mar. 28, 2022	19th meeting of the 5th board	1. Presentation of the Company's 2021 business report and financial statements. 2. Presentation of the Company's 2021 earnings appropriation. 3. Discussion of 2021 employee and director remuneration. 4. Review of the Company's 2021 "Declaration of Internal Control System." 5. Amendments to the Articles of Incorporation. 6. Amendments to the "Asset Acquisition and Disposal Procedures." 7. Amendments to the "Corporate Governance Code of Conduct." 8. Amendments to the "Corporate Social Responsibility Code of Conduct."	Adopted by unanimous consent from all participating directors after consultation with the chairman	None

Date of meeting	Meeting session	Major resolutions	Outcome of resolution	Objection/reservation from independent director
		9. Application of credit limit with Bank of Taiwan. 10. Application of credit limit with CTBC Bank. 11. Application of credit limit with Bank Sinopac. 12. Application of medium-term credit limit with Far Eastern International Bank. 13. Director Election. 14. Approval of the period of director candidates (including independent director) nomination and venue for the 2022 annual general meeting. 15. Submission of the list of director candidates (including independent director) nominated by the Board of Directors 16. Approval for the release of non-competition restrictions for the Company's directors 17. Proposal for the time, venue, and agenda for the 2022 annual general meeting, and to allow the exercise of voting rights in electronic form.		
May 11, 2022	20th meeting of the 5th board	1. Presentation of the Company's Consolidated Financial Statement for 2022 Q1. 2. Application of credit limit with First Commercial Bank. 3. Offering of endorsement/guarantee to U.S. subsidiary TSC Auto ID Technology America Inc. 4. Granting of a loan to U.S. subsidiary TSC Auto ID Technology America Inc. 5. Amendments to the "Regulations Governing Transactions by Related Parties, Group Companies, and Specified Companies".	Adopted by unanimous consent from all participating directors after consultation with the chairman	None
Jun. 17, 2022	1st meeting of the 6th board	1. Election of the 6th term Chairman of the Board of Directors. 2. Appointment of the General Manager.	Adopted by unanimous consent from all participating directors after consultation with the chairman	None
Jun. 28, 2022	2nd meeting of the 6th board	1. Proposal to transfer 5% of the Company's shares in Printronix Auto ID Technology Inc., a U.S. sub-subsidiary, to TSC Auto ID Technology America Inc. 2. Proposal to merge TSC Auto ID Technology America Inc., a U.S. subsidiary of the Company, with Printronix Auto ID Technology Inc., a U.S. sub-subsidiary of the Company. 3. Setting of details relating to the Company's 2021 earnings appropriation. 4. Election of the 5th Remuneration Committee and appointment of the Remuneration Committee members.	Adopted by unanimous consent from all participating directors after consultation with the chairman	None

Date of meeting	Meeting session	Major resolutions	Outcome of resolution	Objection/reservation from independent director
		5. Application of a credit limit with KGI Bank. 6. The Company's greenhouse gas inventory and verification schedule.		
Aug. 9, 2022	3rd meeting of the 6th board	1. Presentation of the Company's Consolidated Financial Statement for 2022 Q2. 2. Application of medium-term credit limit with Yuanta Bank. 3. Application of credit limit with Far Eastern International Bank. 4. Application of credit limit with Cathay United Bank. 5. Application of credit limit with Citibank. 6. Application of a medium-term credit limit with the Land Bank of Taiwan.	Adopted by unanimous consent from all participating directors after consultation with the chairman	None
Nov. 9, 2022	4th meeting of the 6th board	1. Change of CPA in conjunction with Deloitte Taiwan's internal rotation arrangement. 2. Presentation of the Company's Consolidated Financial Statement for 2022 Q3. 3. The first exercise of employee warrant to common stock in 2020. 4. Offering of endorsement/guarantee to U.S. subsidiary TSC Auto ID Technology America Inc. 5. Granting of a loan to U.S. subsidiary Diversified Labeling Solutions Inc. 6. Amendments to the "Procedures for Handling Material Internal Information". 7. Application for the National Development Fund Machinery and Equipment Export Medium-Term Loan Line to KGI Bank. 8. Designation of senior executives for the supervision and control of the Company's derivatives trading risks.	Adopted by unanimous consent from all participating directors after consultation with the chairman	None
Dec. 27, 2022	5th meeting of the 6th board	1. The Company's 2023 audit plan. 2. Assessment of the independence and suitability of CPAs. 3. The Company's 2023 business plan.	Adopted by unanimous consent from all participating directors after consultation with the chairman	None

3. Major board of directors' resolutions in 2023 up until the publication date of annual report:

Date of meeting	Meeting session	Major resolutions	Outcome of resolution	Objection/reservation from independent director
Mar. 15, 2023	6th meeting of the 6th board	1. Acquisition of shares of the Polish company MGN sp. z o.o. through Mosfortico Investments sp. z o.o., a 100% owned Polish subsidiary. 2. Capital increase in Mosfortico Investments sp. z o.o., a Polish subsidiary. 3. Loans to Mosfortico Investments sp. z o.o., a Polish subsidiary. 4. Presentation of the 2022 business report and financial statements. 5. Presentation of the 2022 earnings appropriation. 6. Issuance of new shares through capitalization of 2022 earnings. 7. 2022 employee and director remuneration. 8. Review of the Company's 2022 "Declaration of Internal Control System." 9. Amendments to the Articles of Incorporation. 10. Amendments to the "Asset Acquisition and Disposal Procedures." 11. Amendments to the "Remuneration Committee Charter". 12. Application of credit limit with First Commercial Bank. 13. Application of credit limit with CTBC Bank. 14. Application of credit limit with Bank Sinopac. 15. Application of credit limit with Bank of Taiwan. 16. The first exercise of employee warrant to common stock in 2020. 17. The Company's group (including all subsidiaries) greenhouse gas inventory and verification schedule 18. Proposal for the time, venue, and agenda for the 2023 annual general meeting, and to allow the exercise of voting rights in electronic form. 19. Termination of a credit line to U.S. subsidiary TSC Auto ID Technology America Inc.	Adopted by unanimous consent from all participating directors after consultation with the chairman	None

(XII) Documented opinions or declarations made by directors or supervisors against board resolutions in the last year and up until the publication date of the annual report: None.

(XIII) Resignation or dismissal of the Chairman, General Manager, head of accounting, head of finance, chief internal auditor, corporate governance officer, or head of R&D in the last year and up until the publication date of the annual report:

Apr. 18, 2023

Title	Name	Date of inauguration	Date of dismissal	Reason for resignation/dismissal
Chairman	Wang Shiu Ting	Jun. 13, 2019	Jun. 17, 2022	Comprehensive election and dismissal of directors
General Manager	Wang Hsing Lei	Jun. 13, 2019	Jun. 17, 2022	Elected as the Chairman
R&D Manager	Wang Hsing Lei	Jan. 10, 2011	Jun. 17, 2022	Job adjustment

Note: "Parties related to the Company" may include (but is not limited to) the Chairman, General Manager, head of accounting, head of finance, chief internal auditor, corporate governance officer, or head of R&D and so forth.

(5) Information on CPA professional fees:

Unit: NT$ thousand

<table>
<tr><th>Name of accounting firm</th><th>Name of CPA</th><th>Auditor's audit period</th><th>Audit fees</th><th>Non-Audit fees</th><th>Total</th><th>Remarks</th></tr>
<tr><td rowspan="3">Deloitte Taiwan</td><td>Lin Wen Qin</td><td>2022/1/1~2022/06/30</td><td rowspan="3">4,527</td><td rowspan="3">1,145</td><td rowspan="3">5,672</td><td rowspan="3">Note</td></tr>
<tr><td>Chang Li Chun</td><td>2022/7/1~2022/12/31</td></tr>
<tr><td>Fan You Wei</td><td>2022/1/1~2022/12/31</td></tr>
</table>

Note : Tax verification, transfer pricing, annual report review, tax compliance audit, and employee payroll review services.

Jan.Dec.(I) Disclosure of any replacement of accounting firms that resulted in a reduction of audit fees paid along with the amount and reason for the reduction, as compared to the year before the replacement: None.

(II) For audit fees that reduced by 10% or more compared to the previous year, disclose the amount, percentage and reason for the reduction: None.

(6) Information on changes of CPAs:

On Nov. 8, 2022, the Company changed its certifying CPAs in conjunction with Deloitte Taiwan's quality management policy. Since 2022Q3, The CPAs were changed Lin Wen Qin and Fan You Wei into Chang Li Chun and Fan You Wei.

(7) Any of the Company's Directors, General Manager, or Manager involved in financial or accounting affairs employed by the accounting firm or any of its affiliated companies in the last year: None.

(8) Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year and up until the publication date of the annual report:

(I) Change of shareholding of directors, supervisors, managers, and major shareholders

Title	Name	2022		Current year up until Apr. 18	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	Wang Shiu Ting	0	0	0	0
Chairman	Wang Hsing Lei	0	0	0	0
Director	Taiwan Semiconductor Manufacturing Co., Ltd. Representative: Luo Yue Gui (Note 1)	0	0	0	0
Shareholder with more than 10% ownership interest	Taiwan Semiconductor Manufacturing Co., Ltd.				
Director and General Manager	Chen Ming Yi	0	0	0	0
Independent Director	Ma Chia Ying	0	0	0	0
Independent Director	Li Chun Chi	0	0	0	0
Independent Director	Lin Tuo Zhi (Note 2)	0	0	0	0
Independent Director	Wu Chi Ming (Note 3)	0	0	0	0
Vice General Manager of Sales	Lin Shu Li	0	0	0	0
Senior Assistant General Manager	Lee Cheng Chung	0	0	0	0
Assistant General Manager and Head of Finance	Huang Zhen Fang	0	0	0	0
Assistant General Manager	Chang Mu Lan	0	0	0	0
Assistant General Manager	Hu Chiu Chih	0	0	0	0
Assistant General Manager	Wu Chih Hao	0	0	0	0
Section Chief and Head of Accounting	Lin Shu Juan	0	0	0	0

Note : 1. Shareholding positions of corporate director representatives are disclosed as changes in the shareholding of the respective corporate director.

2. Independent Director Lin Tuo Zhi was appointed for the first time on Jun. 17, 2022.

3. Independent Director Wu Chi Ming was dismissed due to expiration of term of office on Jun. 16, 2022.

(II) Transfer of shareholding: None.

(III) Information on shares pledged: Not applicable as no share was pledged to related parties.

(9) Relationships characterized as spouse or second-degree relatives or closer among top-ten shareholders:

Apr. 18, 2023

Name	Shares held in own name		Shares held by spouse and underage children		Total shares held in the names of others		Names and relationships of top-ten shareholders characterized as spouse or second-degree relative or closer, as defined in Statements of Auditing Standards No. 6		Remarks
	No. of shares	%	No. of shares	%	No. of shares	%	Name	Relation	
Taiwan Semiconductor Manufacturing Co., Ltd.	15,453,177	36.34%	0	0	0	0	Wang Shiu Ting	Taiwan Semiconductor Manufacturing Co., Ltd. - Chairman and General Manager	None
Representative: Wang Shiu Ting	See below for details	See below for details	See below for details	See below for details	See below for details	See below for details	See below for details	See below for details	None
Standard Chartered Custodianship of Fidelity Puritan Trust: Fidelity Low Price Stock Fund	2,314,000	5.44%	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd.	2,190,300	5.15%	0	0	0	0	None	None	None
Representative: Huang Tiao Kuei	0	0.00%	0	0	0	0	None	None	None
Wang Shiu Ting	739,984	1.74%	0	0	330,000	0.78%	Taiwan Semiconductor Manufacturing Co., Ltd. Wang Hsiu Peng	Chairman and General Manager Second-degree relative	None
Leiting Co., Ltd.	679,000	1.60%	0	0	0	0	None	None	None
Nan Shan Life Insurance Company Ltd.	655,600	1.54%	0	0	0	0	None	None	None
Representative: YIN, CHONG-YAO	0	0.00%	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd.	510,000	1.20%	0	0	0	0	None	None	None
Representative: Richard M. Tsai	0	0.00%	0	0	0	0	None	None	None
Wang Hsiu Peng	460,000	1.08%	0	0	0	0	Wang Shiu Ting	Second-degree relative	None
Li Fang Chiang	431,530	1.01%	0	0	0	0	None	None	None
Arthur Investment Co., Ltd.	358,938	0.84%	0	0	0	0	None	None	None

(10) Information on investments jointly held by the Company, the Company's Directors, Supervisors, Managers, and Enterprises directly or indirectly controlled by the Company and the aggregate shareholding:

Unit: shares; %

Business investment (Note 1)	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage
TSC Auto ID Technology EMEA GmbH	(Note 2)	100.00	-	-	(Note 2)	100.00
TSC Auto ID (H.K.) Ltd.	11,710,500	100.00	-	-	11,710,500	100.00
TSC Auto ID Technology America Inc.	16,000,000	100.00	-	-	16,000,000	100.00
Printronix Auto ID Technology Co., Ltd.	500,000	100.00	-	-	500,000	100.00
Tianjin TSC Auto ID Technology Co., Ltd.	—	—	(Note 2)	100.00	(Note 2)	100.00
TSC Auto ID Technology ME, Ltd. FZE	—	—	(Note 2)	100.00	(Note 2)	100.00
TSC Auto ID Technology Spain, S.L.	—	—	(Note 2)	100.00	(Note 2)	100.00
Shenzhen Printronix Auto ID Technology Co., Ltd.	—	—	(Note 2)	100.00	(Note 2)	100.00
Diversified Labeling Solutions, Inc.	1,000	100.00	-	-	1,000	100.00
Precision Press & Label, Inc	—	—	850,000	100.00	850,000	100.00
TSC Auto ID Technology India Private Ltd.	—	—	(Note 2)	100.00	(Note 2)	100.00

Note 1: All are 100%-owned long-term investments of the Company.

Note 2: The entity is a limited liability company, and no shares were issued.

4. Capital Overview

(1) Capital and shares

(I) Source of capital

Unit: thousand shares; NT$ thousand

Year/ month	Issued price (NT$)	Authorized capital		Paid-in capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of capital	Paid in properties other than cash	Others
Mar. 2007	10	80,000	800,000	100	1,000	Incorporation	0	Mar. 19, 2007, Jing-Shou-Zhong-Zi No. 09631826720
Aug. 2007	10	80,000	800,000	15,100	151,000	Acquisition of divestments	Non-cash net assets totaling NT$140,000 thousand	Sep. 7, 2007, Jing-Shou-Zhong-Zi No. 09632746370
Aug. 2007	10	80,000	800,000	20,100	201,000	Cash capital increase	0	Sep. 10, 2007, Jing-Shou-Zhong-Zi No. 09632740820
Oct. 2007	40	80,000	800,000	23,100	231,000	Cash capital increase	0	Nov. 30, 2007, Jing-Shou-Zhong-Zi No. 09633132590
Nov. 2008	25	80,000	800,000	26,180	261,800	Cash capital increase	0	Dec. 12, 2008, Jing-Shou-Zhong-Zi No. 09734128440
Jan. 2010	15	80,000	800,000	26,560	265,600	Exercise of employee warrant	0	Jan. 25, 2010, Fu-Chan-Ye-Shang-Zi No. 09980436010
Apr. 2010	15	80,000	800,000	27,005	270,050	Exercise of employee warrant	0	Apr. 23, 2010, Fu-Chan-Ye-Shang-Zi No. 09983136100
Jul. 2010	15	80,000	800,000	27,095	270,950	Exercise of employee warrant	0	Jul. 19, 2010, Fu-Chan-Ye-Shang-Zi No. 09985892100
Oct. 2010	63.5	80,000	800,000	30,095	300,950	Cash capital increase	0	Oct. 8, 2010, Fu-Chan-Ye-Shang-Zi No. 09988348200
Oct. 2010	15	80,000	800,000	30,195	301,950	Exercise of employee warrant	0	Oct. 14, 2010, Fu-Chan-Ye-Shang-Zi No. 09988661400
Apr. 2011	15	80,000	800,000	30,550	305,500	Exercise of employee warrant	0	Apr. 21, 2011, Fu-Chan-Ye-Shang-Zi No. 10082778010
Aug. 2011	10	80,000	800,000	33,605	336,050	Capitalization of earnings	0	Aug. 12, 2011, Fu-Chan-Ye-Shang-Zi No. 10086547010
Jan. 2012	13.6	80,000	800,000	33,663	336,625	Exercise of employee warrant	0	Jan. 12, 2012, Fu-Chan-Ye-Shang-Zi No. 10180236100
Apr. 2012	13.6	80,000	800,000	33,943	339,425	Exercise of employee warrant	0	Apr. 24, 2012, Fu-Chan-Ye-Shang-Zi No. 10182883800

Year/ month	Issued price (NT$)	Authorized capital		Paid-in capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of capital	Paid in properties other than cash	Others
Jun. 2012	13.6	80,000	800,000	34,075	340,750	Exercise of employee warrant	0	Jun. 1, 2012, Fu-Chan-Ye-Shang-Zi No. 10184100910
Nov. 2013	70.9	80,000	800,000	34,403	344,030	Exercise of employee warrant	0	Nov. 21,2013 Taipei-Government-Economic-Department-1025072870
Jan. 2014	70.9	80,000	800,000	34,428	344,280	Exercise of employee warrant	0	Jan. 20, 2014 Taipei-Government-Economic-Department-1035123213
Jun. 2014	70.9	80,000	800,000	34,460	344,600	Exercise of employee warrant	0	Jun. 26, 2014 Taipei-Government-Economic-Department-1035159578
Dec. 2014	68.3	80,000	800,000	34,567	345,665	Exercise of employee warrant	0	Dec. 4, 2014 Taipei-Government-Economic-Department-1035200434
Jan. 2015	68.3	80,000	800,000	34,572	345,715	Exercise of employee warrant	0	Jan. 13, 2015 New-Taipei-Government-Economic-Department-1045121825
May 2015	68.3	80,000	800,000	34,629	346,290	Exercise of employee warrant	0	May 25, 2015 New-Taipei-Government-Economic-Department-1045151085
Aug. 2015	10	80,000	800,000	38,092	380,919	Capitalization of earnings	0	Aug. 11, 2015 New-Taipei-Government-Economic-Department-1045171247
Nov. 2015	60.1	80,000	800,000	38,190	381,904	Exercise of employee warrant	0	Nov. 09, 2015 New-Taipei-Government-Economic-Department-1045193237
Apr. 2016	60.1	80,000	800,000	38,212	382,124	Exercise of employee warrant	0	Apr. 15, 2016 New-Taipei-Government-Economic-Department-1055157192
Jun. 2016	60.1	80,000	800,000	38,235	382,354	Exercise of employee warrant	0	Jun. 2, 2016 New-Taipei-Government-Economic-Department-1055182375
Jul. 2016	10	80,000	800,000	38,535	385,354	Share exchange	0	Jul. 14, 2016 New-Taipei-Government-Economic-Department-1055214734
Nov. 2016	57.3	80,000	800,000	38,555	385,554	Exercise of employee warrant	0	Nov. 30, 2016 New-Taipei-Government-Economic-Department-1055326983
Aug. 2019	10	80,000	800,000	42,411	424,109	Capitalization of earnings	0	Aug. 7, 2019 New-Taipei-Government-Economic-Department-1088039060

Year/ month	Issued price (NT$)	Authorized capital		Paid-in capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of capital	Paid in properties other than cash	Others
Nov. 2019	223.5	80,000	800,000	42,437	424,369	Exercise of employee warrant	0	Nov. 22, 2019 New-Taipei-Government-Economic-Department-1088079734
Jan. 2020	223.5	80,000	800,000	42,477	424,769	Exercise of employee warrant	0	Jan. 16, 2020 New-Taipei-Government-Economic-Department-1098004172
Nov. 2022	159.9	80,000	800,000	42,513	425,129	Exercise of employee warrant	0	Nov. 29, 2022 New-Taipei-Government-Economic-Department-1118085118
Apr. 2023	159.9	80,000	800,000	42,519	425,189	Exercise of employee warrant	0	Apr. 06, 2023 New-Taipei-Government-Economic-Department-1128022417

Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered Common shares	42,512,940	37,487,060	80,000,000	The company issued 42,518,940 shares was be approved by the New Taipei Government.

(II) Shareholders structure:

Apr. 18, 2023

Shareholders / Quantity	Government institutions	Financial institutions	Other juridical persons	Foreign institutions and foreigner persons	Natural persons	Total
Number of people	1	6	47	83	2,986	3,123
No. of shares held	18	3,704,900	18,002,913	5,829,309	14,984,800	42,521,940
Shareholding percentage	0.00%	8.71%	42.34%	13.71%	35.24%	100.00%

(III) Diversity of ownership:

Apr. 18, 2023

Shareholding range			Number of shareholders (persons)	Shares held (shares)	Shareholding percentage (%)
1	to	999	1,049	146,403	0.34%
1,000	to	5,000	1,582	2,896,299	6.81%
5,001	to	10,000	199	1,487,292	3.50%
10,001	to	15,000	78	988,816	2.33%
15,001	to	20,000	53	931,533	2.19%
20,001	to	30,000	41	1,032,792	2.43%
30,001	to	40,000	26	917,036	2.16%
40,001	to	50,000	16	732,810	1.72%
50,001	to	100,000	34	2,552,899	6.00%
100,001	to	200,000	20	2,836,353	6.67%
200,001	to	400,000	16	4,566,116	10.74%
400,001	to	600,000	3	1,401,530	3.30%
600,001	to	800,000	3	2,074,584	4.88%
800,001	to	1,000,000	0	0	0.00%
1,000,001 and above			3	19,957,477	46.93%
Total			3,123	42,521,940	100.00%

(IV) List of major shareholders:

Apr. 18, 2023

Shares / Name of the major shareholder	No. of shares held	Shareholding percentage (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	15,453,177	36.34%
Standard Chartered Custodianship of Fidelity Puritan Trust: Fidelity Low Price Stock Fund	2,314,000	5.44%
Cathay Life Insurance Co., Ltd.	2,190,300	5.15%
Wang Shiu Ting	739,984	1.74%
Leiting Co., Ltd.	679,000	1.60%
Nan Shan Life Insurance Company Ltd.	655,600	1.54%
Fubon Life Insurance Co., Ltd.	510,000	1.20%
Wang Hsiu Peng	460,000	1.08%
Li Fang Chiang	431,530	1.01%
Arthur Investment Co., Ltd.	358,938	0.84%

(V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Unit: NT$; thousand shares

Item/Year			2021	2022	As of Apr. 18, 2023
Market price per share (Note 1)	Highest		241.5	211	246.5
	Lowest		188.5	170	193
	Average		210.63	189.95	217.79
Net worth per share (Note 2)	Before dividend		96.2	111.8	-
	After dividend		85.2	(Note 9)	-
Earnings per Share	Weighted average outstanding shares (thousand shares)		42,476	42,492	42,521
	Earnings per Share (Note 3)	Before adjustment	18.47	22.71	-
		After adjustment	—	-	-
Dividends per share	Cash dividends		11.0	13.0 (Note 9)	-
	Stock dividends	From earnings	—	1.0 (Note 9)	-
		From capital surplus	—	-	-
	Cumulative undistributed dividends (Note 4)		-	-	-
Analysis of investment returns	P/E ratio (Note 5)		11.40	8.36	-
	Price to dividend ratio (Note 6)		19.15	14.61(Note 9)	-
	Cash dividend yield (Note 7)		5.22%	6.84%(Note 9)	-

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.
Note 2: Please calculate based on the number of outstanding shares at year-end and present the amount of distribution resolved in next year's shareholders meeting in the table.
Note 3: Where stock dividends were issued, EPS should be disclosed in amounts before and after retrospective adjustments.
Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.
Note 5: P/E ratio = average closing price per share for the year / earnings per share.
Note 6: Price to dividend ratio = average closing price per share for the year / cash dividends per share.
Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the current year.
Note 8: Net worth per share and earnings per share should be based on audited (auditor-reviewed) data as of the latest quarter before the publication date of the annual report. For all other fields, calculations should be based on data as at the end of their respective years.
Note 9: The 2022 earnings appropriation has been approved by the Board of Directors, but has yet to be acknowledged in the Aunnal General Shareholder Meeting.

(VI) Dividend policy and execution

1. Dividend policy

Any earnings for the year should be used to pay taxes according to laws, offset losses from prior years and then appropriate 10% as legal reserve and recognize or reverse any special reserves required by laws. The remaining balance, along with accumulated and undistributed earnings from the previous year, may be used for earnings distribution. However, a portion may be reserved for business needs before the issuance of dividends to shareholders. The Company is currently in a growth stage of its life cycle, and in order to cater to future capital requirements and business prospects, all shareholder dividends are to be proposed by the board of directors as part of an earnings appropriation plan, and resolved in a shareholder meeting. In principle, the percentage of earnings to be distributed according to the resolution may not be lower than 10% of the distributable earnings for the year. Dividends may be issued in cash or shares. The percentage of dividends distributed in cash may not be lower than 10% of the total dividends. However, stock dividends will be issued in lieu of cash dividends below NT$0.2 per share.

2. Dividend distribution proposed for the current Aunnal General Shareholder Meeting
(1) Cash dividends: NT$13 per share for a total of NT$552,785,220; to be approved in the Aunnal General Shareholder Meeting.
(2) Stock dividends: NT$1 per share for a total of NT$42,521,940; to be approved in the Aunnal General Shareholder Meeting.

3. If a material change in dividend policy is expected, provide an explanation: There has been no material change in the Company's dividend policy.

(VII) Impacts of stock dividends proposed for the current annual general meeting on the Company's business performance and earnings per share: Not applicable, since the Company did not disclose its financial forecast for 2023.

(VIII) Employee and director remuneration:

1. Percentage or range of employee/director remuneration stated in the Articles of Incorporation.
Percentage or range of employee/director remuneration stated in Article 25 of the Articles of Incorporation:
(1) Employee remuneration: 2% to 10% of profit concluded in the current year, if any.
(2) Director remuneration: no more than 5% of the above profit.
The board of directors may decide to distribute employee remuneration in shares or in cash. Remuneration can be distributed to employees of controlled or subordinate companies that meet certain criteria, and the Board of Directors is authorized to determine these criteria. However, profits must first be retained to offset cumulated losses, if any. The remaining balance can then be allocated for employee remuneration and director remuneration at the above percentages.
2. Basis for estimating employee and director remuneration and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

The Company recognized NT$65,458,033 of employee remuneration payable and NT$32,729,017 of director remuneration payable in 2022. These amounts were estimated by multiplying the amount of 2022 profit before tax and employee remuneration by 5% for employee remuneration and 2.5% for director remuneration. If there is a difference between the actual distribution amount and the estimated amount, it will be regarded as a change in accounting estimates.

3. Information on any approval by the board of directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

The earnings appropriation proposal for the current year was passed during the Board of directors meeting held on Mar. 15, 2023; amounts of employee cash remuneration and Director remuneration resolved are as follows:

A. Employee cash remuneration NT$65,458,033.

B. Employee stock remuneration NT$0.

C. Director remuneration NT$32,729,017.

The proposed employee and director compensation approved by the aforementioned Board of Directors did not differ from the amount of expenses recognized in the fiscal year 2022 Financial Statements audit.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4.Payment of employee profit sharing and director remuneration resolved in the previous year:

The actual amounts of 2021 employee profit sharing and director remuneration paid were NT$42,544,797 and NT$31,908,598, respectively; these amounts did not differ from the amounts initially recognized in the Financial Statements for that year.

(IX) Buyback of the Company's shares: None.

(2) Disclosure related to corporate bonds: None.

(3) Preferred shares: None.

(4) Issuance of global depositary receipts: None.

(5) Employee warrants

(I) Employee warrants unexpired and outstanding as of the publication date of the annual report, and impacts on shareholders' equity

Apr. 18, 2023; unit: NT$

Type of employee warrant	2020 First employee warrant	2020 Second employee warrant
Announcement of effective date/Total units	May 6, 2020/1,000 uints	May 6, 2020/1,000 uints
Issuance date	Jul. 1, 2020	Apr. 6, 2021
Units issued	943 uints	57 uints
Units unissued	0 uint	0 uint
Exercisable shares as a percentage of total outstanding shares (Note 1)	2.22%	0.13%
Duration of warrant	Jul. 1, 2020 to Jun. 30, 2025	Apr. 6, 2021 to Apr. 5, 2026
Method of delivery	Issuance of new shares	Issuance of new shares
Period and percentage (%) of exercise restriction	After 2 years: 50% After 3 years: 75% After 4 years: 100%	After 2 years: 50% After 3 years: 75% After 4 years: 100%
No. of shares acquired through exercise	45,000 shares	0 share
Amount of shares subscribed through exercise	NT$7,195,500	NT$0
Number of shares unexercised	910,500 shares	27,000 shares
Subscription price per unexercised share	159.9	194.8
Number of unexercised shares as a percentage of total outstanding shares (%)	2.14%	0.06%
Effect on shareholders' interests	Unexercised shares accounted for only 2.14% of outstanding shares, hence dilutive effects are deemed limited	Unexercised shares accounted for only 0.06% of outstanding shares, hence dilutive effects are deemed limited

Note 1: The Company had 42,521,940 shares outstanding as of Apr. 18, 2023.

(II) Names of managers who have acquired employee warrants and names of employees ranking top ten in terms of exercisable shares as of the publication date of the annual report

Apr. 18, 2023

	Title	Name	Exercisable shares (thousand shares)	Exercisable shares as a percentage of total outstanding shares	Exercised				Not exercised			
					Number of shares exercised (thousand shares)	Subscription price of shares exercised (NT$)	Amount of shares subscribed through exercise (NT$ thousand)	Number of exercised shares as a percentage of total outstanding shares	Number of shares unexercised (thousand shares)	Subscription price of shares unexercised (NT$)	Amount of shares unexercised (NT$ thousand)	Number of unexercised shares as a percentage of total outstanding shares
Manager	President	Wang Shiu Ting	427	1% (Note 1)	15	159.9	2,398,500	0.04%	412	159.9 194.8	66,821	0.96% (Note 1)
	Chairman	Wang Hsing Lei										
	General Manager	Chen Ming Yi										
	Senior Assistant General Manager	Lee Cheng Chung										
	Assistant General Manager	Liu Hung Hsiang (Note 2)										
	Assistant General Manager	Chang Mu Lan										
	Assistant General Manager	Hu Chiu Chih										
	Assistant General Manager	Wu Chih Hao										
	Section Chief	Lin Shu Juan										
Staff	Lan Wei Cheng		199	0.47% (Note 1)	12	159.9	1,918,800	0.03%	187	159.9	29,901	0.44% (Note 1)
	Chang Wen Pin											
	Chu Wen Kai											
	Andy Edwards											
	Bill Brown											
	Ladislav Sloup											

	Amine Soubai										
	John Otott										
	Kevin Aie										
	Kevin Odonnell										

Note 1: Calculated based on 42,521,940 shares outstanding as of Apr. 18, 2023.

Note 2: Retired on Jun. 30, 2021.

(6) Employee restricted shares: None.

(7) Status of new share issuance in connection with mergers and acquisitions: None

(8) Progress on planned use of capital: None.

5. Operational Overview

(1) Business activities

(I) Scope of operation

1. The Company's main line of business: the manufacturing and distribution of barcode printers, labels and printer consumables and parts and accessories for barcode printers.
2. Revenue mix

Unit: NT$ thousand; %

Key products \ Year	2021		2022	
	Turnover	Revenue mix	Turnover	Revenue mix
Barcode printers	3,985,079	58.2%	4,447,035	55.8%
Labels and printer consumables	2,353,605	34.4%	2,981,908	37.4%
Barcode printer components and others	510,124	7.4%	537,975	6.8%
Total	6,848,808	100.0%	7,966,918	100.0%

3. Products and services currently provided by TSC
   (1) Barcode printers: development, production and distribution of direct thermal and thermal transfer barcode printers and products.
   (2) Labels and printer consumables: production and distribution of labels and printer consumables.
   (3) Parts, accessories and others: accessories and consumables for barcode printers, including optional items such as keyboards, printers; production and distribution of wash label cutters, thermal transfer ribbons, direct thermal wristbands and revenues from relevant maintenance and services.
4. New products planned for development
   (1) Thermal transfer/direct thermal industrial barcode printers.
   (2) Thermal transfer/direct thermal desktop barcode printers.
   (3) Mobile direct thermal barcode printer.

(II) Industry overview

1. Current status and development of the industry

The Company belongs to the automatic identification and data capture (AIDC) industry. AIDC refers to the methods of automatically identifying objects, collecting data about these objects, and entering this directly into computer systems or relevant application systems. It is a field of integrated science and technology based on computer and communication technologies. Barcodes function as one of the most fundamental components of the AIDC industry. In contrast to other AIDC system products, barcode systems require lower costs of adoption and have lower barriers to entry. As such, barcode systems enjoy significantly greater penetration. In light of the boisterous development in emerging markets in recent years along with notable changes in global industries (including Industry 4.0 and the expansion of the IoT market), the concept of full (or semi) automation in corporate operations has gradually spread and taken root at different levels. With market competition growing ever more intense for numerous sectors, cost reduction has long become a priority for corporate operations. The greatest advantages of barcode applications can be encapsulated by two adjectives: "fast" and "precise". Entering data into a computer using a barcode scanner is 200 times faster than manually inputting data by keyboard, with a precision of 99.99%. The technology of barcode identification has been in development for over thirty years and it has matured into a technology that is highly dependable, accurate, fast, and cheap, with extensive applications. It is no surprise that barcodes have been ubiquitously adopted in the market.

The process of barcode scanning primarily involves the printing of barcodes, and the scanning and decoding of the data. As the name implies, barcode printers are designed specifically for the purpose of printing barcode labels that can be read and identified by scanners. The scope of application for barcode labels is incredibly extensive. It is predominantly used in sectors such as manufacturing, retail business, logistics, healthcare and various government agencies. For the manufacturing sector, barcode labels function as inventory labels that enable manufacturers to keep track of their works-in-process while monitoring their inventory. For product retail, barcode labels are used even more extensively. Common applications include product labels, price tags, POS labels, shelf labels and so forth. In logistical operations, relevant information such as product quantity, material number, unit price and so forth can usually be found on barcodes. In healthcare, barcode labels can be found on patient ID wristbands, medication samples, various surgical procedures, drug management, etc. As for government agencies, barcodes are used for the labeling of evidence, identification, management of document systems, postal service systems and other related areas.

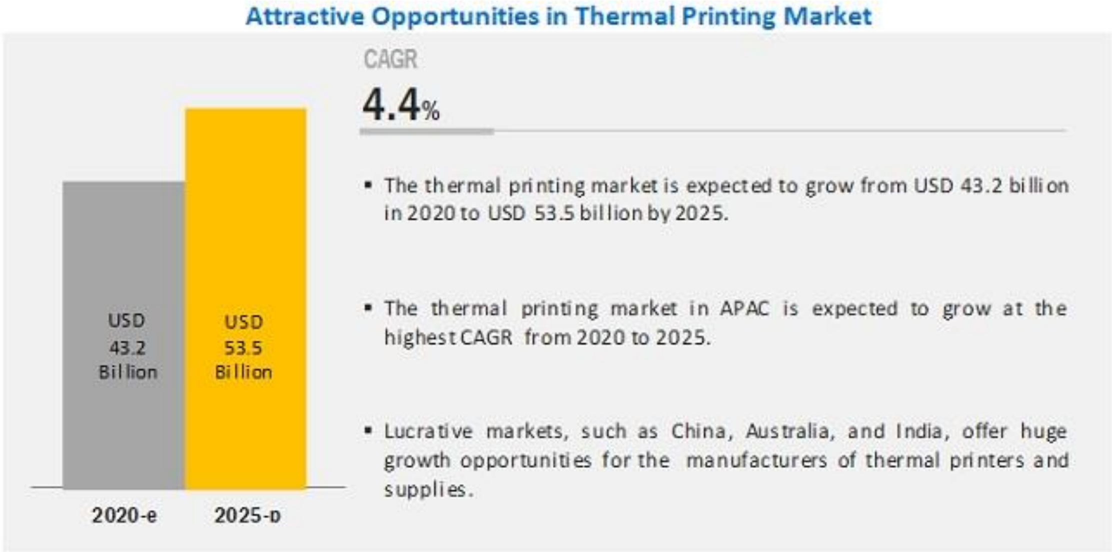
In terms of product classification, barcode printers are available in three major solutions: desktop printers, industrial printers and mobile printers. Desktop barcode printers are entry-level products that are best suited for businesses or merchants with limited print demands, such as retail product labels, receipts/invoices, logistic labels, parcel shipping labels and so forth. In contrast, industrial class solutions offer significantly superior performance, with more printing parameters that can be customized and capacity to print at higher speeds. Industrial printers are built to print labels in rapid succession over extended periods of time in different operating environments. They are primarily used for the printing of logistics and warehousing labels, inventory control labels, environment warning notices and other relevant industrial purposes. The design philosophy for mobile printers is to enable users to print whatever labels they may need while they are on the move. As such, mobile printers are designed to be compact and portable, with a scope of application similar to desktop varieties, such as the printing of retail product labels, logistic/warehousing labels, inventory management labels and so forth.

In terms of technologies involved, barcode label printers are designed to print using two specific methods: direct thermal and thermal transfer. With direct thermal printers, a print head (consisting of electrically heated elements) produces printed images, while direct thermal printers operate by melting a coating of ribbon so that the material on the ribbon is applied to the paper. In terms of complexity, direct thermal printing is simpler and involves lower production costs. On the other hand, thermal transfer printers are capable of operating under adverse conditions and produce clearer images of higher printing quality. As such, thermal transfer printing is expected to become the predominant print method for barcode printers in the near future.

Apart from conventional label applications, RFID labels have also come into general use across various sectors. While RFID labels are more expensive to produce, they have distinctive advantages over barcodes, such as higher read speeds and being less susceptible to environmental factors. RFID labels have even lower reading error rates than barcode labels and render object identification and tracking more effective. These improvements in efficiency can in turn enable proprietors to benefit from higher returns on investment (ROI) over shorter periods. Printronix Auto ID RFID has already seen successful applications in domains such as retail, aeronautic parts, transportation and logistics, manufacturing, healthcare, cable and wire marking, horticulture and others.

The readability of barcodes is determined by the precision and output quality of the barcode printer. By ensuring that all barcodes on labels and tags can be correctly read and identified, it is possible to achieve precise inventory management while avoiding the hassles of returning products, potential penalties and other issues of contention. In addition, the Company has also been developing its online data validation (ODV) technology, which is designed to read multiple barcodes while the printer is printing; upon the discovery of problematic barcodes, the printer will strike through the bad barcode and reprint a new one. ODV is capable of validating one- and two-dimensional codes and can generate reports in accordance with ISO standards.

According to a report by MarketsandMarkets, the direct thermal/thermal transfer printing market is expected to grow from USD 43.2 billion in 2020 to USD 53.5 billion by 2025, at a compound annual growth rate of 4.4% during the forecast period. The rising utilization of automatic identification and data capture technologies for improving productivity, increasing concerns regarding product safety and anti-counterfeiting, increasing use of thermal printing technology in the latest on-demand printing applications, rising penetration of wireless technologies in mobile printers, and the growing use of RFID and barcode thermal printers in the fast-growing e-commerce industry are the key driving factors for the thermal printing market.



** Source: Thermal Printing Market by Offering (Printer, Supplies), Printer Type (Barcode, POS, Kiosk & Ticket, RFID, and Card), Format Type (Industrial, Desktop, Mobile), Printing Technology (DT, TT, D2T2), Application and Geography - Global Forecast to 2025 at https://www.marketsandmarkets.com/Market-Reports/thermal-printing-market-4699565.html*

Similarly, according to Mordor Intelligence's forecast, the barcode printer market is expected to register a compound annual growth rate of 9% by the end of the forecast period 2021–2026. Manufacturers are using barcode printing technology to help cut costs, streamline operations, and improve quality control that fuels the growth of the barcode printer market.

It is expected that the North American direct thermal/thermal transfer printing market will contribute the largest portion in this period. Out of all the domains of application, retail, transportation and logistics, manufacturing, industry, healthcare, and hotels in this region will be the primary end users of direct thermal/thermal transfer printers.

** Source: BARCODE PRINTER MARKET - GROWTH, TRENDS, COVID-19 IMPACT, AND FORECASTS (2021 - 2026) at https://www.mordorintelligence.com/industry-reports/barcode-printer-market*

The Company and its subsidiaries are primarily involved in the research and development, manufacturing and distribution of RFID and barcode label printers. Barcode label printer is an application of barcode technologies while RFID is an application under automatic identification and data capture (AIDC) technology. The following section will cover the current state of the barcode label printer industry and future development of the sector:

(1) Current state of the barcode label printer industry and applications

The market for barcode printers can be divided into the sectors of healthcare, manufacturing, retail, transportation, logistics, and government agencies/state enterprises. Wristbands and labels that are frequently used in the healthcare industry enable medical personnel to identify patients and provide follow-up services. Not only that, such labels have also been used to mark specimen samples, and in surgical procedures and drug management at various Point-of-Care (POC). In the manufacturing industry, barcodes are extensively used for inventory labels, which help vendors establish inventory control and implement work-in-progress (WIP) tracking. In addition, barcodes are also extensively used in retail business, with examples being POS labels, price tag printing, product labels and shelf labels. In logistics operations, barcode labels enable operators to validate and track order numbers and the status of cargo with efficiency. As for government agencies, an increasing number of applications now involve the use of barcode printers to create specific labels for evidence tracking, document tracking, personnel identification, apparel labeling, asset management, record management and public security surveillance. These aforementioned applications have all contributed to the promotion of barcode printer market development.

a. Retail and e-commerce

With the emergence and rise of e-commerce websites, traditional retail channels and operations have lost their competitive edge. Following the rapid growth in business from online consumers, e-commerce vendors have expanded their number of distributors and warehouses as a way to ensure that goods can be delivered safely and quickly to the consumers. Consequently, logistic service providers have been given a crucial role in this business model. Due to the efforts made to ensure the safety, tracking and delivery of cargo, barcode labels have proven to be more cost-effective compared to traditional labels. Facts and data have also pointed to barcodes being a major driver in the growth of the e-commerce market. Presently, numerous inventory and shipping management systems utilize barcodes for relevant management and administration. Through the use of barcodes, businesses are now able to write off or register every item in their inventory across multiple storage locations, thereby significantly reducing the human resources and time needed. These factors have also played an important role in the growth of the barcode printer market across the globe.

Retailers use barcode labels primarily to boost productivity by reducing processing time at the cashier for customers, which in turn improves customers' experience at the store. By introducing self-checkout counters, customers can speed up their transactions and reduce waiting time. By equipping staff with tablets, smartphones and mobile printers, retail staff can benefit from increased productivity and be able to provide superior service quality to customers. On the other hand, due to the impact of COVID-19, in an effort to prevent potential transmission of the virus due to exposure, curbside pick-up has become a preferred choice for consumers purchasing daily necessities in neighborhood stores. By selecting the items and supplies they need online, consumers were able to then pick up their purchases by curbside near the physical stores and thereby reduce the likelihood of exposure they may otherwise face whilst shopping inside stores. Such new arrangement has not only enabled proprietors to maintain basic stream of revenue but also facilitated greater demand for barcode labels for the tracking of food items and orders to be made available through curbside pick-up. Consequently, the demand has further propelled additional growth.

Some of the prominent players in the market are entering into strategic partnerships that enable them to come up with product innovations and development. Such developments are expected to fuel the demand for barcode printers.

** Source: BARCODE PRINTER MARKET - GROWTH, TRENDS, COVID-19 IMPACT, AND FORECASTS (2021 - 2026) at https://www.mordorintelligence.com/industry-reports/barcode-printer-market*

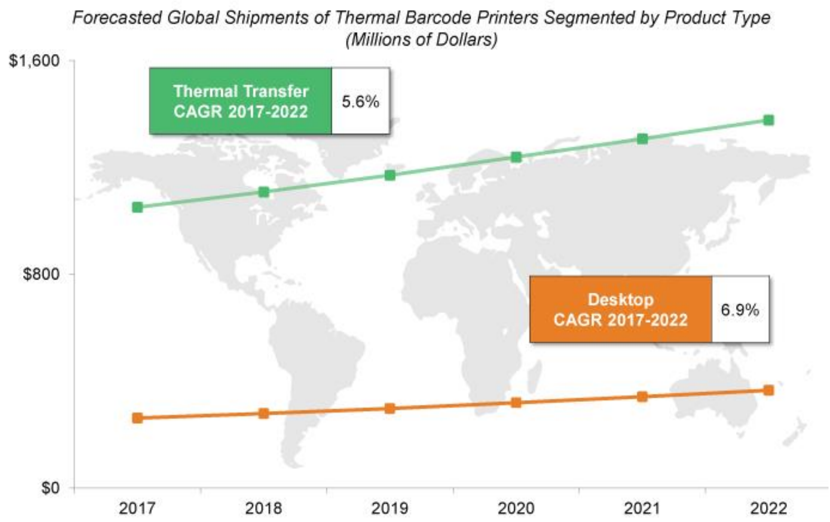
b. Logistics industry

Based on a recent report by VDC Research, the global stationary thermal barcode printer market will grow at a compound annual growth rate of 5.8% through 2022. Revenues will be driven by end user replacements and upgrade cycles, as well as new sales opportunities in manufacturing, transportation and logistics, and retail segments as enterprises expand their distribution operations. VDC's report also indicates that new labeling requirements focused on improving traceability, serialization and overall supply chain visibility are creating new application opportunities for vendors and solution providers.

E-commerce and omnichannel initiatives present unique opportunities for barcode printing investments as the need for labeling capabilities increases for applications such as parcel shipping, shelf labeling and price marking, and direct store delivery. Demand for label printers has risen considerably with the explosion of digital sales channels, item level fulfillment and parcel delivery. Trends such as changes in product packaging and labeling requirements are helping to spur demand for printer hardware.

Another key trend in this market is the role of IoT and data analytics in label printing, which has become a feature focus for printer vendors aiming to differentiate their product lines. Establishing capabilities such as printer performance analysis tools and multiple device management systems have become integral to vendor success in a fragmented competitive landscape. As end users demand increased functionalities and data usage for actionable insights, stationary thermal printers have evolved into yet another data source. With the integration of IoT functions, big data can be utilized to help end users make strategic decisions.

In addition, due to the impact of COVID-19, demand for global logistical services has skyrocketed while the need for manual labor has probably suffered due to potential quarantine procedures. As a result, proprietors of logistics and warehousing services put more investment towards automated operations to mitigate the impacts of reduced manual labor while boosting operation efficacy, thereby driving the demand for automatic labeling solutions.



* *Source: E-commerce Fueling Stationary Thermal Barcode Label Printer Demand, According to VDC Research at https://www.vdcresearch.com/images/pr/2018/sept/Stationary-Thermal-Printers-09-24-18.html*

c. Healthcare industry

One source of stress for those working in the healthcare industry can be attributed to the delivery of premium patient care, which costs a significant amount of time and money for people in the industry. Barcodes have become an indispensable tool for the healthcare industry, because it not only simplifies various administrative processes but also improves the precision of relevant operations many times. For an industry potentially facing fatal accidents caused by administrative errors, precision is of utmost importance.

Supply chain control and asset management are key challenges that the healthcare industry has to overcome. Thanks to barcode solutions, healthcare personnel will be able to provide timely care for patients, strengthen healthcare management, and improve the precision of sample collection and the quality of communication for dispensary management.

When it comes to the improvement in administrative efficacy at healthcare institutions, AIDC solutions that incorporate barcode and RFID technologies will help hospitals and clinics to improve their efficacy and precision. By collecting relevant data and using databases, these institutions will be able to effectively manage the quantities and locations of all inventory items. Not only that, when it comes to the management of inpatient care, barcode passes/RFID passes can be introduced as a measure of personnel clearance for visitors to boost patient safety. Barcode/RFID technologies can also be used for asset management in the tracking of specific properties, such as hospital beds and relevant medical equipment.

For patient care, RFID and barcode technologies can be leveraged to achieve effective tracking. By assigning ID wristbands to each patient that contain a unique barcode for tracking, nursing personnel will be able to mitigate the risks of medical negligence and prevent the loss of key patient information. For the collection of specimens/samples, ID wristbands with barcodes worn by patients will ensure accurate collection, marking and analysis of samples to improve information accuracy while lowering the likelihood of human errors.

The technology will also make drug management safer, as dispensaries will be able to maintain specific transactional information, histories and records for all drugs in the system. Barcodes help by simplifying relevant processes of data entry and logging, thereby helping dispensaries to be more compliant and protected against potential safety issues. Not only that, the preparation of prescriptions at the dispensary also requires multiple checks to minimize the likelihood of error.

From the same report by MarketsandMarkets, healthcare applications are expected to witness the highest compound annual growth rate in the thermal printing market during the forecast period of 2021–2026. The use of smart labels helps in the instant tracking of patients and medical equipment, whenever required, especially in emergencies. Thermal printers are widely used for printing labels and tags that are compatible with various processes in healthcare applications and help to improve patient flow, bed utilization, and asset allocation.

** Source: Thermal Printing Market by Offering (Printer, Supplies), Printer Type (Barcode, POS, Kiosk & Ticket, RFID, and Card), Format Type (Industrial, Desktop, Mobile), Printing Technology (DT, TT, D2T2), Application and Geography - Global Forecast to 2025 at https://www.marketsandmarkets.com/Market-Reports/thermal-printing-market-4699565.html*

According to Mordor Intelligence's report, healthcare medical barcode printers enable hospitals and healthcare facilities to automate data capture and automatically identify patients and medications, helping to prevent medical errors and improving patient safety. Also, the rising need to automate data capture and improve data accuracy in hospitals is propelling the players in the industry to come up with solutions that enable them to satisfy such objectives.

In light of COVID-19 that ravaged the world, we have witnessed a spike in demand for medical and healthcare services. In an effort to accommodate the growing number of patients who have contracted COVID-19 and plans of widespread distribution and administration of vaccines by governments around the world, hospitals and health institutions are now in greater need for barcode labels for more effective patient and vaccine management. These factors have all contributed to the growing need for barcode label printers and serve as yet another driver of market growth. Also, with several regions operating in lockdown, e-commerce sales are surging at an unprecedented rate, thus boosting the development of barcode printers.

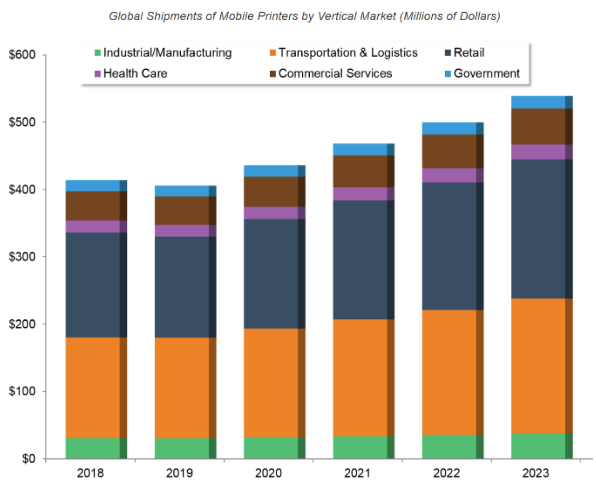
** Source: BARCODE PRINTER MARKET - GROWTH, TRENDS, COVID-19 IMPACT, AND FORECASTS (2021 - 2026) at https://www.mordorintelligence.com/industry-reports/barcode-printer-market*

d. Mobile applications

According to an analysis of the global market by VDC Research, across verticals, end users are adopting mobile printer technologies to enhance printing flexibility on the go. Improving order traceability and enhancing the mobile point of sale (mPOS) will be key drivers of mobile printer hardware investments going forward.

VDC's research shows that the retail and logistic segments will be key areas of growth for mobile printer investments. While these segments will continue to account for the majority of mobile printer shipments, vendors are increasingly looking to smaller, yet higher growth, segments such as healthcare and public safety to attract investment opportunities. E-commerce will drive further adoption of mobile thermal printers in warehouse, logistics, and manufacturing environments. At the same time, omnichannel strategies such as ship-from-store are spurring demand for stores to support better inventory accuracy as well as on the back end to facilitate product traceability.

As competition in this fragmented market intensifies, vendors must adapt their product offerings to support a growing mobile workforce. VDC's recent survey of end users found that product features such as short battery life and poor connectivity are critical pain points that impact investment decisions. End users across verticals are increasingly demanding automated features in order to increase the efficiency of their mobile associates. Many vendors are investing in the development of proprietary multiple device management (MDM) platforms to enhance their revenue streams.



* Source: *Growing Mobile Workforce Driving Adoption of Mobile Thermal Printers, According to VDC Research at https://www.vdcresearch.com/images/pr/2019/sept/Mobile-Thermal-Printers-09-30-19.html*

(2) Development of the barcode label printer industry in the near future

With the latest advances of technology and the growing demands from the entire manufacturing sector to improve operational efficacy while reducing costs, barcodes have become the ideal choice amongst all label and tag systems. Manufacturers rely on highly-coordinated operations to achieve effective processes. For example, ERP, production control, material control and visual supply chain application processes all rely on real-time label verification and data collection systems to provide relevant data for the optimization of productivity, processes and profits.

An increasing number of barcode printers have been deployed to improve visibility and services for the sake of enhancing the customer experience, which in turn facilitates improved efficiency and cost reduction. By saving costs from shipping, packaging and potential manual input errors, the use of this technology will help proprietors to significantly lower their costs and benefit from higher returns on investment (ROI).

According to a press release from VDC Research, the global market for stationary thermal barcode printers will exceed USD 1.8 billion by 2023, fueled by demand for enhanced inventory accuracy, improved order traceability, and increased quality control. From a new report by VDC Research, industrial sectors comprise the bulk of the market, with the manufacturing and logistics sectors accounting for over 75% of global stationary thermal printer investments.

VDC's research suggests that while Zebra Technologies, Sato, Toshiba and Honeywell currently control the majority of this market, the landscape is changing. In particular, low cost stationary thermal printer manufacturers in Asia-Pacific and Europe are challenging existing market dynamics, creating pricing pressure.

Vendors are appealing to customers through a variety of value-added services and functionality. From managed print service offerings and remote printer management capabilities to innovative approaches to media and consumables management, vendors are differentiating themselves by making their printers easier to use and manage and by lowering their cost of operation.

Beyond traditional barcode labeling printing applications, there is growing demand for RFID-enabled printers. RFID can better facilitate dynamic inventory accuracy in retail to accommodate higher e-commerce fulfillment and in-store visibility.

(3) Development of the RFID label printer industry in the near future

According to MARKESANDMARKETS, the total value of the global RFID market is expected to reach approximately US$ 10.7 billion in 2021 and US$ 17.4 billion by 2026, with a compound annual growth rate of 10.2%. Key factors that promote such growth in the market include the growing cost-effectiveness of RIFD over the years, which in turn facilitated greater market adoption. Similarly, the high rate of return, latest government regulations on relevant industries and the impact of COVID-19 have driven the manufacturing industry to introduce and install RFID systems to boost their productivity and minimize potential exposure.

In 2020, the logistics and supply chain applications have contributed the largest portion of the RFID label market. Due to the impact of COVID-19, the need for cargo tracking during transit has also grown accordingly as logistic service operators were required to implement more reliable tracking of cargo in air/land/ocean freight to achieve real-time monitoring. On the other hand, RFID has also helped relevant industries to optimize their inventory management, cargo tracking and streamlining of their supply chains. In fact, supply chain operators now face overwhelming demand to ensure the right products are delivered to the right customers at the right time. And as such, providers of the aforementioned services would attach RIFD labels on containers and relevant systems to achieve real-time monitoring of cargo. Not only that, governments have also offered relevant assistance in the positioning and tracking of cargo with RFID labels in the global deployment of supply chains to ensure transportation safety.

COVID-19 has inadvertently driven the sales of RFID solutions. For example, manufacturing industry were in need of implementing real-time monitoring of equipment status and performance, process flow/defects and even system malfunctions. The technical application of RFID in the domain of factory asset management and the use of integrated tools and adoption of quality management to facilitate predictive maintenance for equipment and systems also enable manufacturers to accomplish their various objectives. And thus, RFID label with integrated sensor would become an ideal solution for the manufacturing industry, since the use of RFID label would not only ease the tracking of specific parts/components but also render the tracking of manufacturing equipment product lifecycle. As RFID market applications continues to grow, one can expect the penetration of relevant RFID solutions to grow around the world.

As governments worldwide began to relax relevant regulations pertaining to COVID-19, numerous businesses and offices across multiple regions have resumed normal operations. Even so, governments have also asked companies to take relevant measures to enforce social distancing and reduce workplace employee density. In response, large corporations have adopted various preventive measures such as contact tracing. And as such, RFID suppliers have continued to launch new products or improved their existing products to accommodate the growing demand from customers while COVID-19 persists.

**Source: RFID Market with COVID-19 Impact Analysis by Product Type (Tags, Readers, and Software and Services), Wafer Size, Tag Type (Passive Tags and Active Tags), Frequency, Applications, Form Factor, Material, and Region - Global Forecast to 2026 https://www.marketsandmarkets.com/Market-Reports/rfid-market-446.html*

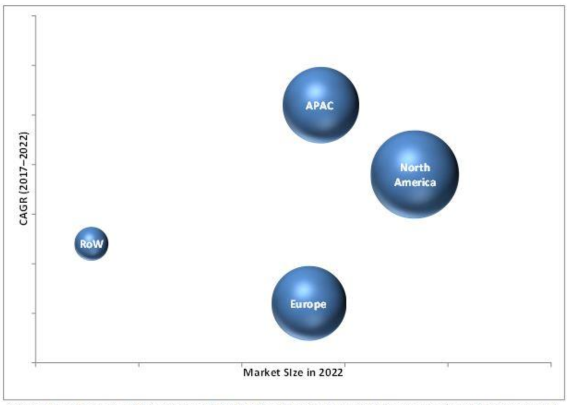
According to the reported by Research and Markets cited by PRNewswire, the global RFID and barcode printer market reached US$ 3.9 billion in 2021 and the market is expected to reach US$ 5.3 billion by 2026, with a compound annual growth rate of 6.4%. Some of the factors driving the growth of this market include the growth of the e-commerce industry, increasing demand for inventory management, and rising demand for eliminating human errors.

It is expected that RFID and barcode printer market for the retail sector will achieve the fastest growth between 2021 and 2026. An increasing number of retail business operators have adopted barcode labels and tags for their operation and the solution is now the common standard for object tracking and inventory management. By using barcode scanners to read product information, cashiers would be able to access useful data such as product quantity and inventory remaining.

The thermal transfer printing technology is expected to dominate the global RFID and barcode printer market. One can anticipate moderate growth in the market for thermal transfer printing because the technology delivers high quality and long-lasting labels and tags. With the demand for thermal transfer printer continuing to grow in the market, the application of barcode labels has also been adopted in other domains such as education and entertainment.

The market demand for RFID and barcode printers below 300 dpi resolution is expected to grow at a faster pace. In light of the growing demand for barcodes and RIFD tags on ID cards, the demand for RFID tag printers below 300 dpi resolution has continued to grow as well. Examples include products such as wristbands, retail, healthcare, education and relevant government agencies. For desktop RFID and barcode printers, these products are typically used in manufacturing and warehousing for the printing of object labels, description labels and so forth. In addition, the solution has also been used in other areas such as patient identification, dispensaries, specimen/sample identification, postal parcels, shipping/receiving labels, small office operations in the medical industry, price labels, shelf labels and even jewelry labels in relevant retail industries. The growth in these application markets have also propelled the development of RFID and barcode label printer market.

RFID and Barcode Printer Market, by Region, 2022 (USD Million)



- Source: RFID Journals, SGIA Journal, Investor Relation Presentations, Annual Reports, Experts' Interviews, and MarketsandMarkets Analysis

** Source: RFID and Barcode Printer Market by Type (Industrial, Desktop, Mobile), Technology (Thermal Transfer, Direct Thermal, Inkjet), Resolution (Below 300 dpi, 301-600), Connectivity, Industry (Manufacturing, Retail, Healthcare) - Global Forecast to 2022 at https://www.marketsandmarkets.com/Market-Reports/barcode-printer-market-48014379.html*

2. Relationship between the upstream, midstream and downstream vendors

In the domestic barcode label printer industry of Taiwan, the supply chain can be separated into raw material manufacturers (upstream vendors), barcode label printer manufacturers (midstream vendors) and various end users in respective businesses and domains (downstream vendors). As TSC specializes primarily in the production of various barcode label printers, the Company falls under the category of midstream vendor in the supply chain.

(1) Upstream vendors

Our upstream vendors include manufacturers of various parts and components that are needed for our products, such as motors, power supplies, microprocessors, print heads, dynamic memory, flash memory, LCD and so forth. Examples include EDACPOWER (power supply manufacturer) and Kyocera (print head manufacturer) and so forth.

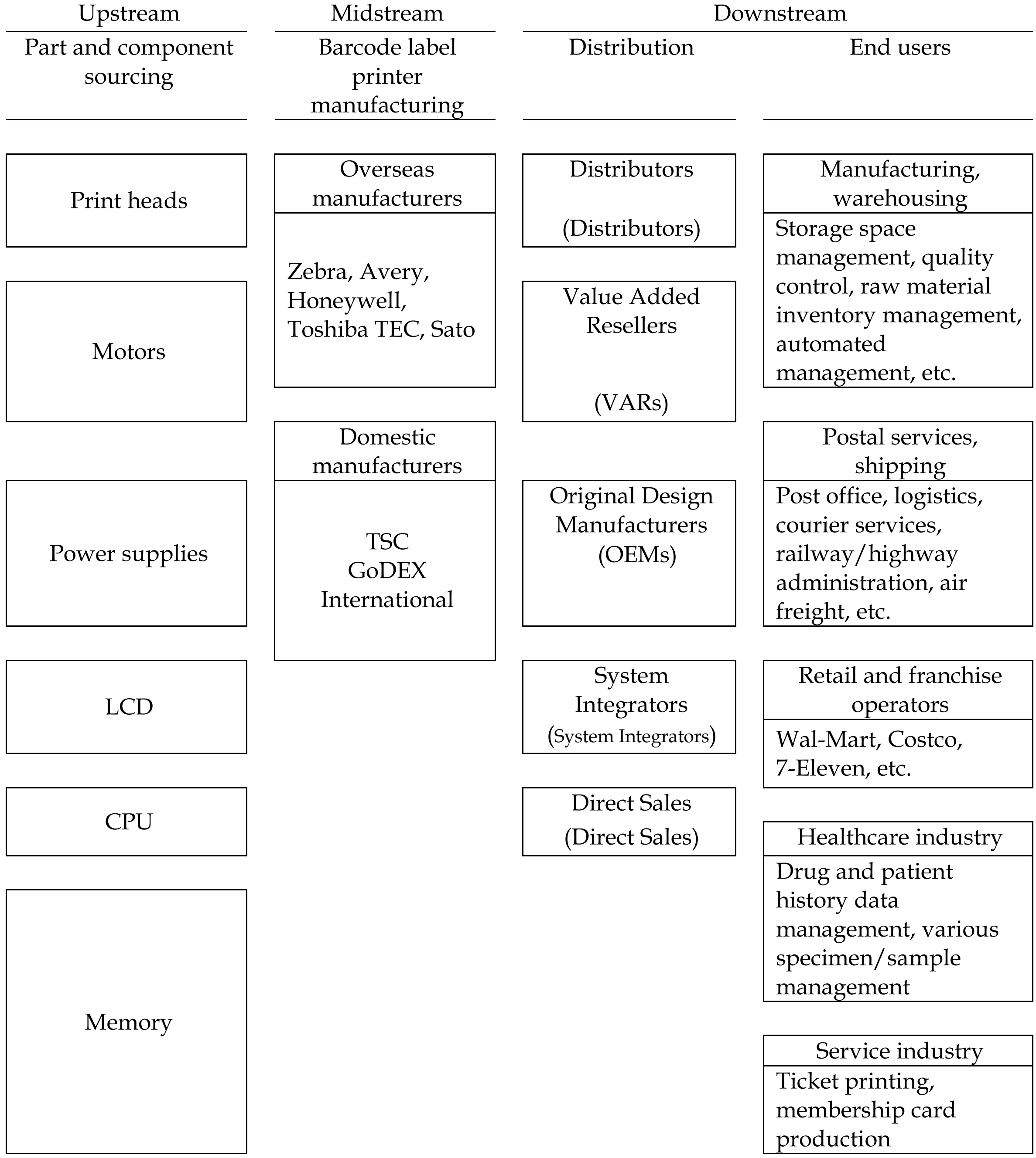
(2) Midstream vendors

Midstream vendors in the supply chain would be the barcode label printer manufacturers. The global barcode label printer industry is dominated by American and Japanese companies such as Zebra Technologies, Honeywell, SATO, Toshiba Tec and so forth. In the Taiwan, TSC and GoDEX International are the largest manufacturers of barcode label printers.

(3) Downstream vendors

Our downstream vendors include various enterprises and sectors that purchase our products and they comprise a large array of sectors, including logistics, warehousing, finance, healthcare, IT, retail, postal services, transportation and so forth. Examples include retailers such as Walmart, Costco, the Post Office and Railway Administration Bureau/Directorate General of Highways and so forth.

The vendors in the up/mid/downstream of the barcode label printer industry are illustrated in the figure below:



3. Product development trends

Given that the average sales price (ASP) for industrial barcode printers is high, these products are significant contributors to the Company's overall revenues. Due to the speed, high printing volume and superior quality of industrial barcode printers, demand for such products from relevant sectors has grown significantly. Industrial barcode label printer manufacturers, such as TSC Auto ID Technology Co., Ltd. and Zebra Technologies, Inc., offer industrial barcode label printers for applications such as transportation, manufacturing, distribution, product labeling, healthcare and patient safety, packaging, and printing. Thanks to the product's extensive applications, market growth has been steadily growing and shows no sign of slowing down.

On the basis of printing resolution, the barcode printer market has been segmented into below 203 dpi, 300 and 600 dpi. The reason for such segmentation is apparent - printing resolution is a pivotal attribute for such printers in the markets that emphasize image and scanning quality. By offering barcode printers at 600 dpi, market leaders could benefit from improved operational efficacy by printing legible texts, symbols or barcodes on the smallest labels and tags. High resolution label printers are designed to enable high-quality output to satisfy specific application needs. Such label printers are ideal for manufacturing applications involving small texts and tiny barcodes, such as labels for electronic circuit boards or production management labels containing serial numbers of symbols. Not only that, high-resolution barcode label printers are also needed for specific medical applications involving small characters and barcodes.

Wireless barcode printers help end users connect their devices through technologies such as NFC, Bluetooth and Wi-Fi. They account for around 30% of the barcode printer market share and are expected to witness growth over the forecast timeline. These printers help the users to reduce potential failure points and eliminate the need for cables, providing a safer and more space-efficient work area. However, wired printers enable direct connectivity to PCs through a cable and enable features such as USB connectivity, Ethernet and serial connectivity, ensuring hassle-free and fast data transfer.

Established companies in the market are increasingly focusing on broadening and strengthening their extensive product portfolios. Companies are devoting significant amounts of resources to developing innovative solutions for the respective target audiences, making sure that the products and services maintain high-levels of reliability, offering value to end users.

** Source: Barcode Printers Market Size By Product (Industrial, Desktop, Mobile), By Technology (Thermal Transfer, Direct Thermal, Laser, Impact, Inkjet), By Resolution (Below 300 dpi, Between 301 & 600 dpi, Above 601 dpi), By Connectivity (Wired, Wireless), By Application (Manufacturing, Retail, Government, Transportation & Logistics, Entertainment & Hospitality, Healthcare), Industry Analysis Report, Regional Outlook, Application Potential, Price Trends, Competitive Market Share & Forecast, 2018 – 2024 at https://www.gminsights.com/industry-analysis/barcode-printers-market-size*

One of the key trends influencing the growth of the global RFID printer market is increasing advances occurring in the field of electronic printing. The rising usage of smartphones and the adoption of smart technology are also propelling the expansion of the global RFID printer market at a healthy pace. Products equipped with RFID tags are automatically recorded during the billing process without scanning each product individually, and this helps retailers to tally product costs instantly. Such an advantage is expected to consequently support growth in the global RFID printer market in the coming years.

Prominent players active in the global RFID printer market such as Printronix, Primera Technology, SATO America, and Avery Dennison have shown optimism in the potential growth of the global RFID printer market in the foreseeable future and have thus invested substantial funding in the improvement of RFID technologies.

** Source: RFID Printer Market - Global Industry Analysis, Size, Share, Growth, Trends and Forecast from 2018 – 2026 at https://www.transparencymarketresearch.com/rfid-printer-market.html*

4. State of competition

A quick assessment of the current competition in the barcode label printer market reveals that major U.S. and Japanese manufacturers dominate the market. According to the market statistics published by VDC, U.S.-based Zebra Technologies currently sits at the number one spot, followed by the Japanese companies SATO and Toshiba Tec, TSC Printers (Taiwan) and Honeywell (U.S.).

At present, TSC Printers is among the top four barcode label printer manufacturers in the world. The Company is also the leading business in the domestic market of Taiwan. Apart from the capability for independent development and manufacturing, TSC also delivers diverse automated solutions for its customers. Through the versatile application of key management strategies, TSC has managed to achieve effective product cost control. In addition to distributing products worldwide under its original "TSC" brand name, the Company also acquired the industrial barcode printer department from the U.S.-based company Printronix in Jan. 2016 and has distributed products under the Printronix brand. As a part of TSC's future operational planning and strategic deployment, the Company acquired the operating assets of the U.S. company Diversified Labeling Solutions, Inc. (DLS) through its U.S. subsidiary in Jan. 2019 in a strategic move to expand its printer accessories, consumables, and labels operations. DLS has been incorporated as an entity in TSC's consolidated operating revenue effective since Feb. 2019. On Jul. 1, 2022, the Company merged Printronix into its U.S. subsidiary, selling under the TSCPrintronix dual brand name to create a single platform for customers.

(III) Overview of existing technologies and research and development

1. Level of technology for the Company's line of business and research and development

Technology serves as the basis of the Company's development. In light of rapid changes in the industry, TSC relies on its competent R&D team for the design and development of new products to ensure the Company's competitiveness.

Ever since the Company's foray into the barcode label printer market, we have been actively involved in product development and innovation while actively nurturing our R&D talent.

Most of our key technologies have been the fruit of independent research and development by TSC's R&D team. With years of profound practical experience in the industry, extensive knowledge of the products and competence in development and innovation, our team is equipped with know-how in key technologies such as the mechanisms, circuitry and firmware of our products. Through our overseas distribution locations and feedback from downstream customers, we are able to collect relevant market information that enable us to predict future trends in product development and potential applications so that we can steer our independent development and new product designs in the right direction. The fact that TSC has been acknowledged by local and foreign customers on numerous occasions reflects our strength in product development and capacity for innovation. Furthermore, the Company also proactively pushes for vertical development in our high-end and entry level barcode printer products so as to flesh out our product offerings. At the same time, we also research and develop relevant software/hardware systems to achieve horizontal system integration and expand product applications in order to cater to the demands from different application markets.

2. Investment in R&D in the last year and up until the publication date of the annual report

Unit: NT$ thousand

Year / Item	2018	2019	2020	2021	2022
R&D expenses	195,127	222,492	204,793	212,892	229,823
Operating incomes	3,924,759	5,856,888	5,683,808	6,848,808	7,966,918
R&D expenses as percentage of operating revenue	5.0%	3.8%	3.6%	3.1%	2.88%

3. Technologies/products successfully developed in the last year and up until the publication date of the annual report

(1) T6 Industrial Thermal Transfer Barcode Label Printer (PRINTRONIX Brand)

(2) TE210 Desktop Thermal Transfer Barcode Label Printer

(3) DA210 Desktop Direct Thermal Barcode Label Printer

(4) DA220 Desktop Direct Thermal Barcode Label Printer

(5) ODV-2D Thermal Transfer Barcode Verifier (PRINTRONIX Brand)

(6) CPX Color Inkjet Barcode Label Printer

(6) PEX-1000 Series Automatic Labeling Application Direct Thermal Barcode Printer

(7) MB240/MB240T Industrial Thermal Transfer Barcode Label Printer

(8) ML240/ML240P Industrial Thermal Transfer Barcode Label Printer

(9) TDM-30 Mobile Barcode Printer

(10) TDM-20 Mobile Barcode Printer

(11) T800 Desktop Thermal Transfer RFID Barcode Label Printer (PRINTRONIX Brand)

(12) T4000 Industrial Thermal Transfer RFID Barcode Label Printer (PRINTRONIX Brand)

(13) T6000e 4″ and 6″ width Industrial Thermal Transfer RFID Barcode Label Printer (PRINTRONIX Brand)
(14) TE/MB/MH Thermal Transfer Barcode Label Print Module
(15) 4D520 Desktop Direct Thermal Barcode Label Printer
(16) 3R20 Mobile Barcode Printer
(17) 4T520 Desktop Thermal Transfer Barcode Label Printer
(18) ALPHA-30L Mobile Barcode Printer
(19) ALPHA-40L Mobile Barcode Printer
(20) MX241P Industrial Thermal Transfer Barcode Label Printer
(21) MH241/MH241T/MH241P Industrial Thermal Transfer Barcode Label Printer
(22) MH261T Industrial Thermal Transfer Barcode Label Printer
(23) PEX-1001 Series Automatic Labeling Application Direct Thermal Barcode Printer
(24) TSC Console Remote Monitoring Software
(25) TSC Standalone Creator Software
(26) SOTI Connect IoT Management Solution Integrated Development
(27) 4D520P Desktop Direct Thermal Barcode Label Printer
(28) 4T520P Desktop Thermal Transfer Barcode Label Printer

(IV) Long and short-term business development plans.

1. Short-term development plans

(1) Product planning strategies:

To speed up specification/function upgrades for existing products and reduce production costs in accordance with customer needs and trends of market development to boost cross-selling.

A. To develop industrial barcode printers in order to flesh out TSC's offerings of mid- to high-end products.
B. To develop mobile barcode label printers that are more lightweight and compact for the mobile workforce.
C. To develop diverse applications for existing products in target industries, such as healthcare industry and transportation industry. Through product development planning, TSC shall create automated solutions for different industries.
D. To deploy in the RFID application market by providing desktop and industrial RFID printers to accommodate demands for relevant applications in different domains.
E. In light of the changes in consumer behavior and the emergence of mPOS, the Company will expand its development of mobile barcode printers in conjunction with the use of smart devices to deliver comprehensive mobile printing solutions.
F. With the existing customers of DLS as our basis, we shall implement cross-selling strategies by matching with existing products to provide one-stop services and in turn increase our market share.

(2) Marketing planning strategies:

A. To proactively create new applications and new technologies to expand emerging application markets.

B. With the integration of DLS operations, TSC will be able to provide one-stop services for our customers by constructing a comprehensive network of global distribution.
C. TSC and PRINTRONIX brands work together to create a single sales platform.

(3) Production planning strategies:
By boosting productivity and reducing operational costs, we will also strive to reduce the lead-time for our orders so that our factories will be able to handle more orders to meet the Company's target for revenue growth whilst accommodating our customers' needs for shipping and special orders.

(4) Operation management strategies:
To improve our service efficacy while actively recruiting R&D talent to achieve product upgrades and improvements so that TSC will be able compete with the major international brands. At the same time, efforts will be made to improve the operating efficiency of the headquarters and subsidiaries, thereby bolstering the Company's competitiveness.

2. Long-term development plans

(1) Product planning strategies:
Apart from continuing to improve existing products and the functionality of new operations, the Company is expecting to actively commit to the development of AIDC related hardware and system technologies in light of current industrial trends. TSC will also foray into the domain of software development and system integration as a way to boost its competitiveness.

(2) Marketing planning strategies:
In addition to consolidating our existing product market, the inclusion of DLS has also brought new customers and marketing channels. We shall strive to promote distribution through product bundles to boost sales performance and achieve our target for corporate growth.
To promote the growth for the AIDC industry, TSC has established the "TSC PRINTRONIX Academy" at the headquarters and its subsidiaries as a platform to highlight products, present case studies and experience sharing to help our distributors better understand the features and advantages of our products so that they are better equipped to deliver comprehensive solutions to end users.

(3) Production planning strategies:
TSC will continue to improve its production efficiency and yield rate and endeavor to reduce production costs by splitting operations between our facilities in Taiwan and China so as to make our products more competitive.

(4) Operation management and financial strategies:
TSC will promote the digitization of relevant company operations to lower the burden on manpower while integrating the resources across all subsidiaries for the promotion of corporate globalization. The Company will also take steps to bolster its financial status with prudent planning so that the Company will be able to continue developing new products and addressing the needs of new international markets.

(2) Market, production and sales overview

(I) Market analysis:

1. Primary regions of product distribution

Unit: NT$ thousand; %

By region		2021		2022	
		Turnover	Ratio	Turnover	Ratio
Domestic distribution		134,860	1.97%	141,438	1.78%
International distribution	Asia and other regions	2,068,738	30.21%	2,191,156	27.50%
	Europe	1,482,924	21.65%	1,520,620	19.09%
	Americas	3,162,286	46.17%	4,113,704	51.63%
Total		6,848,808	100.00%	7,966,918	100.00%

2. Market share

In terms of market share, the Company is only behind a few major U.S. and Japanese manufacturers as the 4th largest barcode label printer manufacturer in the world. In the past, TSC's distribution has been focused in Asia, which contributed more than 40% of the Company's sales. Nevertheless, TSC is still focused on cultivating other emerging Asian markets, including India and Southeast Asia. Printronix specializes in the manufacturing of high-end industrial barcode label printers, and the brand has strengthened the Company's presence in the market for industrial products. After the addition of the Printronix brand, the overall sales in Europe and the United States has accounted for over 40%.

Furthermore, Diversified Labeling Solutions Inc. ranked No. 82 in the leading printing companies in the United States (Source: The 2019 Printing Impressions 400 Ranking).

3. Supply and demand in the market in the near future and potential for growth

(1) Supply

In the barcode label printer market that is becoming more competitive by the day, large companies will seek to achieve growth by means of mergers and acquisitions while smaller companies struggle to stay in the game by focusing on customized production and pricing strategies.

U.S.-based Zebra Technologies, which has been the number one brand name in the barcode label printer market in terms of market share, has already acquired Motorola Solutions' corporate division to secure its leading position in the market, while the Japanese company SATO, which has been contending for the number one position in the market, has acquired the label printing business of Jenkins Labels (the largest label printer company in New Zealand). With the major market players being aggressive in their acquisition strategies, one can anticipate an impending wave of acquisitions and mergers that will change the landscape of the barcode label printer industry. The

IoT industry has been growing at tremendous speed and this trend means that larger companies which are capable of doing more will be better positioned to capitalize on new opportunities. As such, the Company not only acquired Printronix Inc.'s barcode printer division in 2016, we have also acquired Diversified Labeling Solution Inc. in Jan. 2019 as a part of our label business.

However, the Company will also stay at a relatively smaller corporate scale in order to take advantage of versatile strategies and customized production. With the advancement of technology, the need for AIDC technologies of regional small and medium enterprises has been growing by the day. Nevertheless, due to their limited order quantities, major brand names may refuse to take such orders because of low profitability from limited quantity production. Situations like these serve as opportunities for development for smaller companies. Not only that, with the division of labor at production lines becoming more intricate for the manufacturing industry and the growing sophistication services provided by the service industry, there are bound to be more opportunities for customized production. As major manufacturers may have limited interest in smaller orders due to issues of scale, smaller companies would be able to sustain their development with such orders and be better positioned to expand in scale when the opportunity comes.

(2) Demand

Production automation with the latest technologies has become an inevitable trend around the world. A crucial part of the process involves the installation of AIDC equipment, which helps enterprises to improve their supply chains, strengthen their inventory management and establish automated production and distribution systems. In light of the growing domestic sector in China and its massive demands in recent years, along with the emerging markets in Southeast Asia, numerous small and medium enterprises have become interested in improving their production processes. With the center of the global economy gradually shifting from Europe and America to the east, the need for these aspiring enterprises to upgrade their facilities will bring enormous opportunities for the AIDC industry.

Apart from enterprises, governments around the world have also endeavored to improve the administrative efficiency in the public sectors. In contrast to the more versatile and flexible private sector, government agencies usually have lower acceptance when it comes to new technologies. Nevertheless, with the advancement of technologies, computerization and the advantages of automation becoming more apparent, the need for AIDC products of governments around the world also grows. The introduction of automatic identification systems will dramatically speed up the sluggish operations that government agencies are notorious for. Not only that, such systems also enable governments to set up automated information systems, improve their systems for document management, file management, ticket system and various day-to-day operations such as receipt/invoice printing and so forth, thereby significantly enhancing the efficiency of administrative operations.

In summary, the demand for AIDC products from the both the public and private sectors will continue to grow at a healthy pace in the next few years and this will instill more momentum into the Company's growth in the future.

4. Competitive niches

(1) Costs of manufacturing and production technologies

In the rapidly growing industry for barcode label printers, TSC has relied on its competent R&D team and outstanding manufacturing technologies to continue developing innovative products ahead of the competition. Not only that, the

Company has leveraged its high quality production capabilities to respond to changes in market demand.

TSC has been primarily involved in the distribution of desktop printers in the past. After assimilating Printronix's lineup of industrial products into its product offerings, the integration has not only fleshed out TSC's product offerings but also increased the sales of industrial products for the Company over the years. The Company operates production facilities in Yilan (Taiwan) and Tianjin (China). Due to considerations to boost the Company's productivity and reduce costs, TSC has relocated Printronix's production lines from the U.S. and other parts of the world to our Yilan factory with corresponding adjustments to production capacity in order to raise production efficiency and utilization rate.

(2) R&D capabilities

In the high-tech sector with rapidly growing technologies and development, a company's capacity in research and development is the deciding factor that determines the course of the company's development. Enterprises capable of achieving sustained innovation can create new products and services that are ahead of the market, which in turn create new market demands that loops back to propel the growth of said enterprises. The same can be said for the barcode label printer industry. Although the sector is not growing as fast as other industries for consumer electronics such as notebook PCs and smartphones, the rapidly advancing wireless network and automation technologies will no doubt promote continual improvement in the foreseeable future. In this sector, companies have to commit substantial investments towards research and development in order to acquire advanced equipment and recruit outstanding R&D talent. This is how companies maintain their competitiveness while increasing the market share of their products.

Apart from having a competent R&D team, TSC has also implemented internal training and programs to ensure the passing on of research experience and expertise. In 2022, the Company invested approximately NT$230 million, which was equivalent to roughly 2.9% of our revenues for the year towards the development of label printers at different product tiers, completing the development of the entry-level 4D520 and desktop printer 4T520.

Apart from these hardware improvements, the Company also continued to invest in software development, including applications for Apple and Android operating systems. We have also completed the development of TSC CONSOLE, a printer management software intended for small and medium enterprises for administrators to manage multiple printers at the same time. The TSC STANDALONE CREATOR software we have developed enables users to complete the development of standalone operating procedures in no time at all. In an effort to accommodate potential demands for compatibility in IoT and smart factory environments, the Company has also completed the functional integration for SOTI CONNECT to provide enterprise class IoT solution. The Company shall continue to invest in R&D by allocating a percentage from its revenue in order to facilitate sustained innovation and growth.

(3) Product quality

Product quality is a crucial goal that all enterprises seek to achieve in both the manufacturing and service sectors. Outstanding product quality is the testament of successful corporate operations, and it is the result of advanced R&D capabilities, stringent cost control, prudent supply chain management and outstanding manufacturing capacities. As for the barcode label printer industry, product quality also serves as a concrete manifestation of a company's capabilities in R&D and manufacturing. Quality products are the answer to what the market wants and it is what generates revenue and profit for businesses.

For years, TSC has endeavored to establish its quality control system and implement total quality management for all products. Stringent quality management helps to ensure that all of our products meet relevant quality requirements. TSC's barcode label printer manufacturing processes have been accredited by international accredited registrar DNV GL Business Assurance to be compliant to ISO 9001, ISO 9002 Quality Systems and ISO 14001 Environment Management System. Not only that, several of our products have been selected as the winner of the Taiwan Excellence Award. In addition, TSC's TDP-324W, TC series, DA220 barcode label printers have also been accredited by health information technology service supplier Cerner Corporation. All of our new products are designed to be Energy Star compliant as our way of fulfilling our social responsibility in the domain of energy conservation. These quality accreditations and awards received are testaments of TSC's outstanding product quality, which is our key niche in the face of intense market competition.

5. Advantages, disadvantages and countermeasures for prospective development

(1) Advantages

A. Correct market positioning:

As international brand names such as Zebra and Sato still dominate the market, TSC has sought to achieve market differentiation as a way to avoid direct competition from key players. Instead, the Company has committed itself to the development of multi-functional and high quality products according to the principle of market segmentation in order to build its product niche.

B. Versatile marketing strategies

TSC has distributed products across the world under its original brand name. In order to ensure its competitive edge, the Company has actively maintained close partnership with local distributors and endeavored to strengthen customer services in the hopes of elevating its brand to be the benchmark in the industry. With regards to market development for new products, the Company started out with strategic international OEM/ODM alliances to familiarize itself with distribution channels in the market and establish its presence. Presently, the Company is primarily focused on the marketing of its own products, supplemented with brand promotion and after-sales services in order to increase revenue from marketing.

C. Solid R&D capabilities and technical expertise

Over the years, the Company has been dedicated to R&D and technical innovation. Apart from actively recruiting technical talent, the Company has also invested in relevant research and technical development projects in order to achieve full control of core technologies for our products and secure our place in the international market.

D. Outstanding quality

The Company has endeavored to establish its quality system over the years and implemented total quality control through stringent quality control measures to ensure effective improvement in product quality. TSC's manufacturing processes for barcode label printer have been approved and registered by DNV for compliance with the ISO-9001 standard. Following the footsteps of Alpha-2R, our MB240 and ML240 series have once again received the Taiwan Excellence Award in 2019. These achievements and recognitions validate the Company's insistence on its quality policies. Not only that, multiple models of our barcode label printers have been accredited by major health information technology services supplier Cerner Corporation, and they have been supplied and used at more than 2,700 hospitals and 4,150 practicing physicians across the globe.

(2) Disadvantages

A. Domestic shortage of workers and rising wages that result in increased production costs

Following the increase in per capita income in Taiwan, the declining labor population over the years and growing awareness in the workforce population, labor and salary costs have been steadily increasing in Taiwan.

Countermeasures:

The Company shall aggressively commit to the improvement of manufacturing processes and quality control. Through computerized management of production lines and production-distribution coordination meeting, we shall improve our control over production costs and reduce the cost per unit for products.

B. High reliance on international distribution makes our profit margin more susceptible to exchange rate fluctuations.

TSC has been distributing products mostly internationally to other parts of Asia, Europe and America. With the significant fluctuations in exchange rates in recent years, the Company's profit margin has become more susceptible to the influence of exchange rate fluctuations.

Countermeasures:

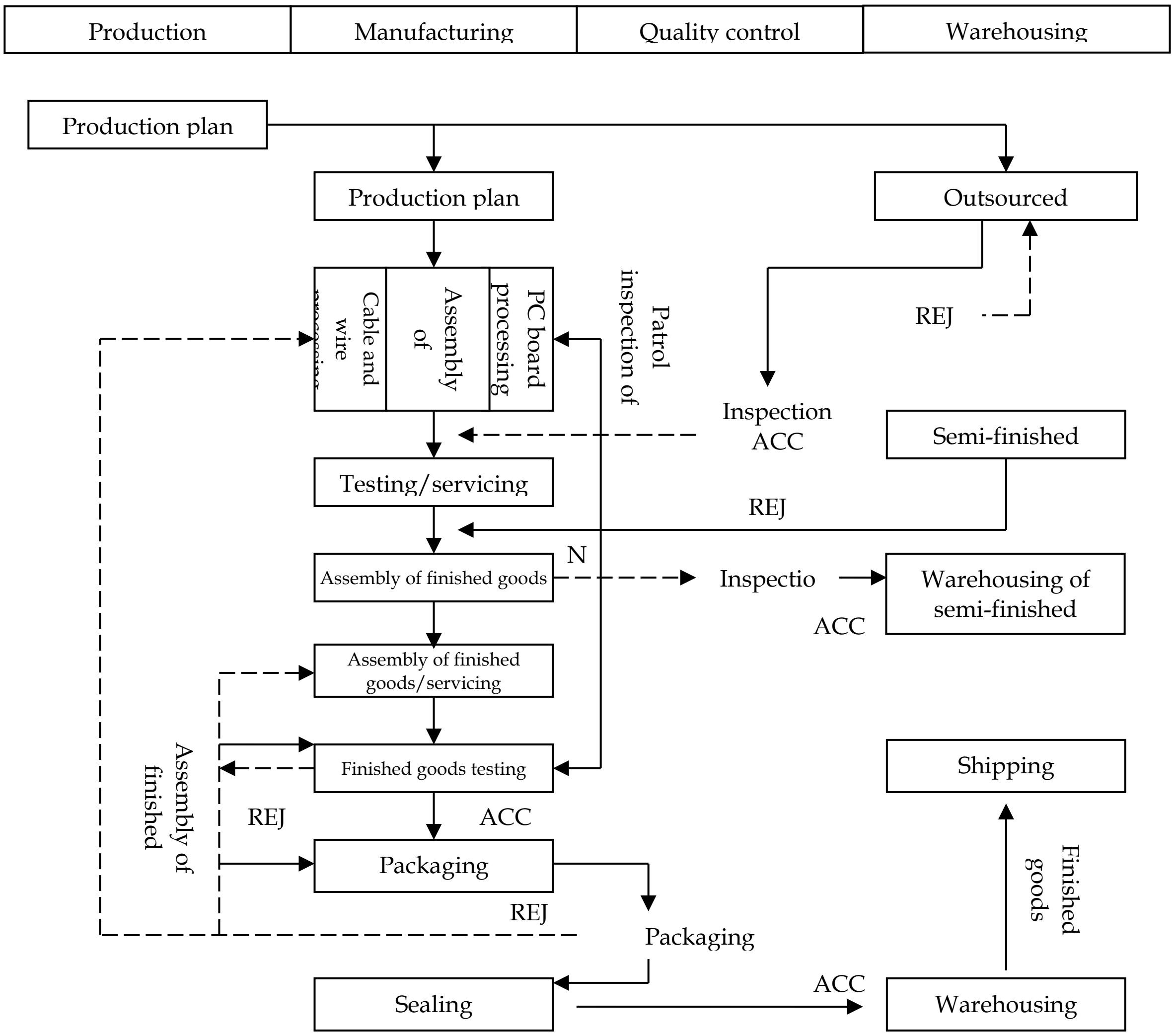
Apart from actively developing the domestic market, the Company will also take steps to become more sensitive to exchange rate changes by keeping in touch with forex departments of different financial institutions in order to stay cognizant of the latest forex information. In addition, TSC may also engage in the transaction of derivative products for hedging purposes in response to potential risks from exchange rate fluctuation.

(II) Main application and manufacturing processes for key products

1. Main application of products

Key products	Product contents	Main application and functions
Barcode label printer	Direct thermal/thermal transfer barcode label printer	Identification, tracking and management of raw materials/finished products/assets/personnel/safety/services in logistics, manufacturing, retail, government agencies and healthcare industries
Parts, accessories and others	Direct thermal/thermal transfer barcode label printer related parts, components and replacement parts	Provision of barcode label printer auxiliary functions and services
Blank label	Paper for barcode label printer	Applications involving object identification, tracking and management

2. Manufacturing process



(III) State of supply for primary materials

TSC specializes in the production of barcode label printers and relevant consumables. Our primary materials include print heads, power supplies and adhesives. The Company has maintained positive relationships with all raw material suppliers over the years and all raw materials are in steady supply with zero incidences of supply disruption.

Primary materials	Key suppliers	State of supply
Print heads	Kyocera, ROHM, Toshiba, SHEC	Normal
Power supplies	EDACPOWER, Wearnes, Billion	Normal
Adhesives	Morgan, 3M	Normal

(IV) Names of customers that have contributed 10% or more of total received (distributed) products, the amount and ratio in either one year of the most recent two years and state the reason for change

1. Main suppliers in the last two years:

Unit: NT$ thousand; %

Item	2021				2022			
	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer
1	Morgan	564,328	14.49%	None	Morgan	742,743	17.33%	None
2	Others	3,330,150	85.51%	None	Others	3,544,022	82.67%	None
	Net purchase	3,894,478	100.00%	–	Net purchase	4,286,765	100.00%	–

2. Main customers in the last two years:

Unit: NT$ thousand; %

Item	2021				2022			
	Name	Amount	As a percentage of annual net sales	Relationship with the issuer	Name	Amount	As a percentage of annual net sales	Relationship with the issuer
1	Others	6,848,808	100.00%	None	Others	7,966,918	100.00%	None
2				–				–
	Net sales	6,848,808	100.00%	–	Net sales	7,966,918	100.00%	–

(V) Production volume and value in the last two years

Unit: thousand units; NT$ thousand

Year / Production volume/value / Main products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Barcode label printer	947	758	2,322,917	840	726	2,707,093
Blank labels (Note)	–	–	2,046,436	–	–	2,555,276
Parts, accessories and others (Note)	–	–	687,494	–	–	1,053,802
Total	947	758	5,056,847	840	726	6,316,171

Note: Blank labels, parts, accessories, and others are not listed separately due to the extensive variety and vast differences in specifications. Comparison in quantity alone is meaningless.

(VI) Sales volume and value in the last two years

Unit: thousand units; NT$ thousand

Year / Sales volume/value / Main products	2021				2022			
	Domestic distribution		International distribution		Domestic distribution		International distribution	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Barcode label printer	20	117,131	756	3,867,948	18	106,815	682	4,343,130
Blank labels (Note)	–	–	–	2,353,605				2,981,617
Parts, accessories and others (Note)	–	17,729	–	492,395		34,242		501,114
Total	20	134,860	756	6,713,948	18	141,057	682	7,825,861

Note: Blank labels, parts, accessories, and others are not listed separately due to the extensive variety and vast differences in specifications. Comparison in quantity alone is meaningless.

(3) Employees

Apr. 18, 2023

Year		2021	2022	Current year up to Apr. 18, 2023
Employee count	General staff	430	441	442
	Indirect employees	66	71	71
	Direct employees	408	442	427
	Total	904	954	940
Average age		40.83	40.97	41.25
Average years of service		6.82	6.53	6.92
Distribution of academic background %	Doctoral Degree	0.00%	0.00%	0.00%
	Master's Degree	9.92%	9.55%	9.90%
	University/College	46.12%	45.85%	46.65%
	Senior high school	37.36%	37.56%	37.38%
	Junior high school and below	6.61%	7.04%	6.07%

(4) Contribution to environmental protection

The Company did not incur any losses (compensations) or fines due to pollution of the environment in the last year and up until the publication date of the annual report.

(5) Labor-management relations

(I) Availability and execution of employee welfare, continuing education, training and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights:

1. Employee welfare measures:

Below is a list of key benefits offered by the Company:

(1) Subscription to Labor Insurance and National Health Insurance, as required by laws. The Company takes the initiative to notify employees of available benefits, and provides guidance on how to claim benefits for the protection of their interests.

(2) All permanent employees are fully subsidized for group insurance and travel insurance coverage for added protection in life and at work. The package includes life insurance, accident insurance, medical insurance, cancer insurance, and overseas business trip insurance.

(3) Regular health checkup.

The Employee Welfare Committee is primarily responsible for arranging the following benefits:

(1) Birthday cash.

(2) Wedding, childbirth, funeral, and injury/disability subsidy.

(3) Travel subsidy.

(4) Club subsidy.

(5) Monthly birthday events.
(6) Scholarship for education of self or children.
(7) Organizing festive events.
(8) Selection and commendation of top-performing workers.
(9) Employees who complete a certain number of years of service are rewarded with cash or gifts of equivalent value.
(10) Childcare subsidy.
(11) Talent and skill subsidy for employees and their children.

The Company has assembled an Employee Welfare Committee with the approval of Yilan County Government per letter Yi-She-Lao-Zi No. 0960200001. The committee consists of worker representatives elected by various departments. The committee holds regular meetings to organize benefits and activities for employees, offers a variety of club activities along with free fitness facilities and table tennis equipment, and promotes recreational and entertainment activities to help employees bond.

2. Pension system:

The Company has implemented "Employee Retirement Regulations" and set up a dedicated account for the Labor Pension Fund. For employees who opted for the new labor pension scheme on or after Jul. 1, 2005, the Company makes monthly pension contributions to their individual accounts held with the Bureau of Labor Insurance in accordance with the "Labor Pension Act." For employees who were covered under the old scheme before Jul. 1, 2005, and continued to opt for the old pension scheme afterwards, the Company complies with the "Labor Standards Act" and makes monthly pension contributions based on actuarial results produced by actuaries; the pension fund under the old scheme is managed by the Labor Pension Fund Supervisory Committee and deposited into a dedicated account held with the Bank of Taiwan in the committee's name. Management systems and uses of the pension fund are compliant with relevant laws.

3. Education and training:

Talent is the most important asset of a company, and a company may grow only if its employees grow. The Company has implemented plans to raise the quality of its talent persistently and systematically, and by building a team of exceptionally talented individuals, the organization has the competitive advantage it needs to sustain growth.

Training courses are divided into three main categories: general studies, competence studies, and professional studies. The Company offers a variety of internal courses in these categories and encourages employees to attend external training courses.

Each year, the Company plans and budgets for annual training programs. Based on the results of the employee training needs survey, the current year's key projects, and employee personal development plans, the Company plans and conducts courses to enhance employee competency and professional knowledge learning and cultivate and develop talents.

In addition, each department offers different courses for respective professional abilities and provides a diversified learning environment, such as newcomer orientation, factory visits, industry and product awareness, business co-visits, professional training, cross-departmental on-the-job training, etc.

Education and training progress in the last year (2022):

<table>
<tr><th>Course category</th><th>Course sessions</th><th>Total participant count</th><th>Total hours</th><th>Total expenses (NT$ thousand)</th></tr>
<tr><td>Specialist training</td><td>128</td><td>1648</td><td>4346.8</td><td rowspan="4">1,171</td></tr>
<tr><td>Management skill</td><td>4</td><td>51</td><td>428.2</td></tr>
<tr><td>General knowledge training</td><td>48</td><td>1121</td><td>2287.4</td></tr>
<tr><td>Total</td><td>180</td><td>2820</td><td>7062.4</td></tr>
</table>

4. Work environment and protection of employees' safety:

The Company has implemented standard operating manuals and protection measures in accordance with the Occupational Safety and Health Act and Regulations for the Occupational Safety and Health Equipment and Measures to ensure the safety of factory and office environments, as well as the safety of personnel.

(1) Establishment of occupational safety and health inspection plan: safety and health facilities of the Company are inspected automatically to prevent accidents.
(2) Employee health checkup: new and existing employees are subjected to regular health checkup and health management.
(3) Occupational safety and health training: workers are trained regularly on safety, health, disaster prevention, and response.
(4) Specialist training: all operators of hazardous machinery and equipment are required to comply with government rules by undergoing specialist training and obtaining certification from government-approved training institutions.
(5) Occupational health and safety personnel: the Company has hired a class-1 manager of occupational health and safety affairs and a occupational health and safety manager in accordance with the laws.
(6) Investigation of occupational hazard: occupational hazards and accidents are analyzed and reported to the labor inspection authority, with measures implemented to prevent recurrence.
(7) Contractor management: communication channels have been established between contractors and the Company to discuss work safety and prevent occupational hazards.
(8) Environment testing: the Company tests the noise level, chemical and drinking water of the work environment on an annual basis to ensure that the environment is safe for employees to operate in.

5. Employee service code of conduct:

The Company has established a set of Employee Work Rules in accordance with the Labor Standards Act and related laws that outline the rights and obligations between labor and the employer for sound management as well as unity within the workforce. The work rules also include the following service code of conduct:

(1) Employees shall be loyal to their duties, comply strictly with all of the Company's policies, and obey the supervision of their supervisors without excuse. Managerial personnel are expected to treat their subordinates with respect and offer appropriate guidance.
(2) Employees are expected to work diligently and deliver high-quality, productive results while reducing wear to the Company's assets. Employees shall also

maintain confidentiality of all secrets pertaining to their business activities or duties.

(3) Employees shall escalate work-related reports progressively up the reporting line, and may not skip levels when reporting except in emergency or special circumstances.

(4) Employees shall wear proper attire and ID badges according to rules of the Company. ID badges are to be returned to the Company upon replacement or resignation.

(5) Employees shall comply with safety and health regulations and rules of the Company, maintain safety, health, and cleanliness of the workplace and nearby environment, and take actions to prevent burglary, fire, and other hazards.

(6) Employees may not bring weapons, hazardous items (referring to controlled items listed in Article 4 of the Controlling Guns, Ammunition and Knives Act), contraband, or unrelated items into the workplace.

(7) Employees may not take company property outside the workplace without approval. Employees who wish to take company property outside the workplace may do so only after obtaining a permit from the department in charge of management.

(8) Employees may not leave their job posts without approval during work hours.

(9) Employees are not permitted to bring outsiders into the plant without the approval of the plant manager or above.

(10) Employees may not exploit their vested authorities for their own gains or the gains of others.

(11) Employees may not accept kickbacks or illicit gains in exchange for any actions at work, whether such actions are legitimate or illegitimate.

(12) Employees are required to clock in and out of work personally, and may not do so on behalf of others or have others do so on their behalf. Any violation, once verified, will result in the dismissal of both parties.

(13) Employees who clock in more than 15 minutes after work commencement time are treated as late arrival, and those who clock out more than 15 minutes before end-of-day are treated as early departure. Employees should apply for leave of absence when arriving more than 15 minutes late or leaving more than 15 minutes early; failure to comply will be deemed as unjustified absence.

(14) Employees who forget to clock in/out should obtain signed approval from the head of the department on the current day (for clock-in) or the next day (for clock-out). Failure to obtain signed approval within the specified timeframe will be treated as unjustified absence.

(15) Employees who apply for leave of absence during work hours may leave work only after clocking out. Employees who are unable to clock out due to work-related errands shall obtain signed approval from the head of the department.

(16) Employees who are absent from work without applying or extending leave of absence are treated as unjustified absence.

(17) Employees shall tidy up their workplaces before leaving work. Managers are required to inspect the areas they are in charge of before leaving.

6. Labor-management agreement

Labor-management meetings are held in compliance with the Council of Labor Affairs' Regulations for Implementing Labor-Management Meeting, in which the Company appoints its representatives while employees elect their representatives. All labor-management meeting representatives shall serve a 4-year term. The representatives for the labor side may serve a following term if reelected and the representatives for the management side may serve a following term if reappointed. Labor-management meetings are convened once every three months in the presence of labor and management representatives to mediate labor-management relations, promote cooperation, and address workers' issues in advance. Issues concerning workers' benefits, worker safety and health, and production efficiency improvements are discussed during the meetings, and solutions are implemented with the consensus of both sides for mutual benefit.

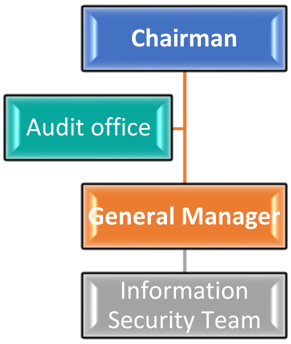
(II) Losses as a result of employment disputes in the last year up and up to the publication date of the annual report: None.

(6) Cybersecurity Management

(I) Describe the structure of cybersecurity risk management, cybersecurity policies, specific management solutions, resources committed towards cybersecurity management and so forth.

1. Cybersecurity risk management structure

The Corporate Information Security Team was formally established by the MIS Dept. in 2022 to coordinate the formulation of information security and protection-related policies, as well as to formulate, implement, manage risks, and follow annual audits. The head of the Corporate Information Security Team reports monthly to the General Manager on the effectiveness of information security management, information security-related issues and directions, and reviews information security policies annually. The Company's auditors also perform regular information security checks and track deficiencies in improvement plans every year.



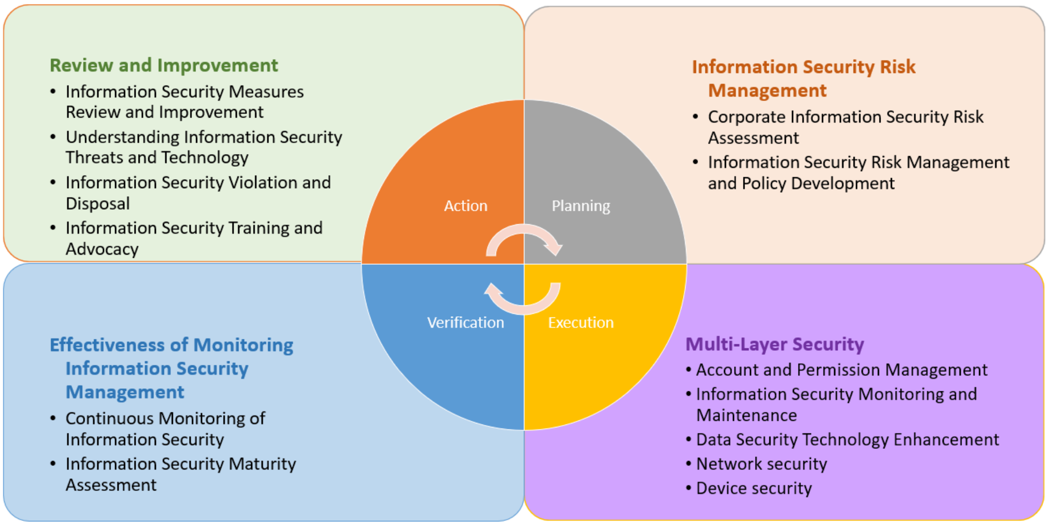
2. Cybersecurity Policy

(1) Corporate Information Security Management Strategy and Framework

The information security team is responsible for coordinating the promotion of information security management-related issues and holds regular information security meetings every two weeks to review the applicability of information security policies and protection measures and report on the effectiveness of implementation according to the management cycle of Plan-Do-Check-Act (PDCA).

The "planning phase" focuses on information security risk management and the establishment of a complete Information Security Management System (ISMS) to reduce corporate information security threats from the system, technical and procedural aspects, and to establish confidential information protection services that meet customer needs. In the "execution phase", the Company has built multi-layered information security protection; continues to introduce innovative technologies for information security defense; internalizes information security control mechanisms into daily operation processes such as software and hardware maintenance and supplier information security management; systematically monitors information security; and maintains the confidentiality, integrity, and availability of the Company's important assets. During the "audit phase", the Company actively monitors the effectiveness of information security management and conducts measurement and quantitative analysis of information security indicators based on audit results. In the "action phase", the Company conducts reviews and continuous improvements to monitor and ensure that the information security regulations continue to be effective through supervision and audits. When employees violate the relevant regulations and procedures, the cases shall be handled in accordance with the procedures for handling information security violations, and such employees are subject to disciplinary action depending on the circumstances of the violation. In addition, the Company also regularly reviews and implements improvement actions including information security measures, education, training and promotion based on performance indicators, and maturity assessment results to ensure that important confidential information of the Company is not leaked.

(2) Enterprise Information Security Risk Management and Improvement Framework



3. Specific Management Solutions

4. Resources committed towards cybersecurity management

Outcome of corporate cybersecurity promotion in 2022

All of our new employees (more than 30) have completed their cybersecurity and protection training

100%

Sent a total of 6 cybersecurity promotional emails to employees as a way to highlight crucial regulations for cybersecurity and cautions

6 cybersecurity promotional emails

0% of our employees have been subjected to disciplinary actions due to violation of relevant cybersecurity and confidential information protection procedures

0%

(II) State the losses, potential impact and response measures towards major cybersecurity incidents the Company has incurred during last year until the publication date of annual report: None.

(7) Major contracts:

Nature of Contract	Party	Contract Date	Main Contents	Restrictions
Mid-term loans	Yuanta Commercial Bank	Oct. 14, 2022 – Oct. 14, 2025	420 million	None
Mid-term loans	Bank Of Taiwan	Apr. 8, 2022 - Apr. 8, 2025	200 million	None
Mid-term loans	Far Eastern International Bank	Sep. 1, 2022 – Sep. 1, 2025	300 million	None
Mid-term loans	KGI Bank	Mar. 27, 2023 - Mar. 13, 2027	50 million	None

6. Financial overview

(1) Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary balance sheet

1. Summary consolidated balance sheet - IFRS-compliant

Unit: NT$ thousand

Item / Year		Financial information for the last 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		2,798,232	2,884,002	3,245,150	3,696,285	4,246,657
Property, plant and equipment		632,636	1,003,707	972,754	1,014,529	1,053,525
Intangible assets		1,158,057	1,423,963	1,293,796	1,200,367	1,258,990
Other assets		1,027,404	1,477,479	1,591,721	1,758,910	1,735,597
Total assets		5,616,329	6,789,151	7,103,421	7,670,091	8,294,769
Current liabilities	Before dividend	2,591,042	2,083,708	1,973,270	2,200,537	2,421,498
	After dividend	2,976,596	2,508,477	2,398,039	2,667,783	(Note 2)
Non-current liabilities		224,800	1,540,409	1,578,936	1,381,411	1,122,546
Total liabilities	Before dividend	2,815,842	3,624,117	3,552,206	3,581,948	3,544,044
	After dividend	3,201,396	4,048,886	3,976,975	4,049,194	(Note 2)
Equity attributable to owners of the parent company		2,800,487	3,165,034	3,551,215	4,088,143	4,750,725
Share capital		385,554	424,769	424,769	424,769	425,189
Capital surplus		547,080	568,892	577,665	592,852	615,845
Retained earnings	Before dividend	1,733,139	2,065,769	2,358,147	2,717,340	3,219,822
	After dividend	1,309,030	1,641,000	1,933,378	2,250,094	(Note 2)
Other equity		134,714	105,604	190,634	353,182	489,869
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before dividend	2,800,487	3,165,034	3,551,215	4,088,143	4,750,725
	After dividend	2,375,718	2,740,265	3,126,446	3,620,897	(Note 2)

Note 1: All financial information from 2018 to 2022 has been audited.

Note 2: 2022 earnings appropriation has yet to be approved in the shareholder meeting; hence no disclosure was made for the amount after distribution.

2. Summary standalone balance sheet - IFRS-compliant

Unit: NT$ thousand

Item \ Year		Financial information for the last 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		2,703,326	2,509,507	2,447,356	2,781,317	3,005,875
Property, plant and equipment		513,967	510,920	491,812	474,642	464,074
Intangible assets		71,394	69,629	57,061	48,059	35,452
Other assets		2,074,238	2,954,328	3,328,022	3,631,638	4,090,050
Total assets		5,362,925	6,044,384	6,324,251	6,935,656	7,595,451
Current liabilities	Before dividend	2,399,755	1,781,790	1,542,318	1,776,128	1,970,958
	After dividend	2,785,309	2,206,559	1,967,087	2,243,374	(Note 2)
Non-current liabilities		162,683	1,097,560	1,230,718	1,071,385	873,768
Total liabilities	Before dividend	2,562,438	2,879,350	2,773,036	2,847,513	2,844,726
	After dividend	2,947,992	3,304,119	3,197,805	3,314,759	(Note 2)
Equity attributable to owners of the parent company		2,800,487	3,165,034	3,551,215	4,088,143	4,750,725
Share capital		385,554	424,769	424,769	424,769	425,189
Capital surplus		547,080	568,892	577,665	592,852	615,845
Retained earnings	Before dividend	1,733,139	2,065,769	2,358,147	2,717,340	3,219,822
	After dividend	1,309,030	1,641,000	1,933,378	2,250,094	(Note 2)
Other equity		134,714	105,604	190,634	353,182	489,869
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before dividend	2,800,487	3,165,034	3,551,215	4,088,143	4,750,725
	After dividend	2,375,718	2,740,265	3,126,446	3,620,891	(Note 2)

Note 1: All financial information from 2018 to 2022 has been audited.

Note 2: 2022 earnings appropriation has yet to be approved in the shareholder meeting; hence no disclosure was made for the amount after distribution.

(II) Summary statement of comprehensive income

1. Summary consolidated statement of comprehensive income - IFRS-compliant

Unit: NT$ thousand, except for earnings per share which is in NT$

Item \ Year	Financial information for the last 5 years (Note 1)				
	2018	2019	2020	2021	2022
Operating incomes	3,924,759	5,856,888	5,683,808	6,848,808	7,966,918
Gross profits	1,813,625	2,201,856	2,022,823	2,275,377	2,647,459
Operating profit/loss	870,122	985,868	917,306	1,050,230	1,257,801
Non-operating incomes and expenses	51,393	12,552	26,183	32,673	89,593
Profits before tax	921,515	998,420	943,489	1,082,903	1,347,394
Current period net income from continuing operations	687,843	760,524	715,352	784,486	964,909
Loss from discontinued operations	0	0	0	0	0
Current net income (loss)	687,843	760,524	715,352	784,486	964,909
Other comprehensive income for the period (net of tax)	(181,735)	(29,471)	86,825	162,024	141,506
Total comprehensive income for the period	506,108	731,053	802,177	946,510	1,106,415
Net income attributable to owners of the parent company	687,843	760,524	715,352	784,486	964,909
Net income attributable to non-controlling interest	—	—	—	—	—
Total comprehensive income attributed to owners of the parent company	506,108	731,053	802,177	946,510	1,106,415
Total comprehensive income attributed to non-controlling interest	—	—	—	—	—
Earnings per Share	16.22	17.93	16.84	18.47	22.71

Note 1: All financial information from 2018 to 2022 has been audited.

2. Summary standalone statement of comprehensive income - IFRS-compliant

Unit: NT$ thousand, except for earnings per share which is in NT$

Item \ Year	Financial information for the last 5 years (Note 1)				
	2018	2019	2020	2021	2022
Operating incomes	2,834,734	2,988,254	2,619,995	3,266,229	3,865,879
Gross profits	1,112,101	1,228,879	1,085,450	1,182,368	1,418,623
Operating profit/loss	709,306	774,139	706,595	743,728	794,105
Non-operating incomes and expenses	160,996	172,323	193,121	245,439	416,868
Profits before tax	870,302	946,462	899,716	989,167	1,210,973
Current period net income from continuing operations	687,843	760,524	715,352	784,486	964,909
Loss from discontinued operations	0	0	0	0	0
Current net income (loss)	687,843	760,524	715,352	784,486	964,909
Other comprehensive income for the period (net of tax)	(181,735)	(29,471)	86,825	162,024	141,506
Total comprehensive income for the period	506,108	731,053	802,177	946,510	1,106,415
Net income attributable to owners of the parent company	687,843	760,524	715,352	784,486	964,909
Net income attributable to non-controlling interest	—	—	—	—	—
Total comprehensive income attributed to owners of the parent company	506,108	731,053	802,177	946,510	1,106,415
Total comprehensive income attributed to non-controlling interest	—	—	—	—	—
Earnings per Share	16.22	17.93	16.84	18.47	22.71

Note 1: All financial information from 2018 to 2022 has been audited.

(III) Names of the auditors of the financial statement in the last 5 years and audit opinions

Year	2018	2019	2020	2021	2022
Certifying CPA	Wang I Wen Fan You Wei	Wang I Wen Fan You Wei	Wang I Wen Fan You Wei	Lin Wen Qin Fan You Wei	Chang Li Chun Fan You Wei
Audit opinions	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

(2) Financial analysis for the last 5 years

(I) Financial analysis for the last 5 years - consolidated financial statements/IFRS-compliant

Analysis items (Note 2) \ Year		Financial analysis for the last 5 years (Note 1)				
		2018	2019	2020	2021	2022
Financial position (%)	Debt-to-assets ratio	50.14	53.38	50.01	46.70	42.73
	Long-term capital to property, plant and equipment ratio	478.2	468.81	527.38	539.12	557.49
Solvency (%)	Current ratio	108.00	138.41	164.46	167.97	175.37
	Quick ratio	80.60	95.30	123.28	113.75	105.44
	Interest coverage ratio	39.63	21.88	27.15	43.36	48.25
Operating efficiency	Receivables turnover ratio (times)	5.42	6.39	5.23	5.68	5.99
	Average cash collection days	67	57	70	64	61
	Inventory turnover ratio (times)	3.04	4.68	4.28	4.54	3.69
	Payables turnover ratio (times)	3.59	6.38	6.93	7.04	7.30
	Average inventory turnover days	120	78	85	80	99
	Property, plant and equipment turnover ratio (times)	6.17	7.16	5.75	6.89	7.70
	Total asset turnover ratio (times)	0.71	0.94	0.82	0.93	1.00
Profitability	Return on assets (%)	12.79	12.88	10.71	10.90	12.37
	Return on shareholders' equity (%)	25.18	25.50	21.30	20.54	21.83
	Pre-tax profit as a percentage of paid-up capital (%) (Note 6)	239.01	235.05	222.12	254.94	316.94
	Net profit margin (%)	17.53	12.99	12.59	11.45	12.11
	Earnings per share (NT$) (Note 3)	16.22	17.93	16.84	18.47	22.71
Cash flow	Cash flow ratio (%)	32.51	45.58	57.00	43.25	26.93
	Cash flow adequacy ratio (%)	113.99	130.61	148.32	152.24	134.42
	Cash reinvestment ratio (%)	24.99	19.57	19.16	12.50	3.89
Degree of leverage	Degree of operating leverage	1.98	2.22	2.30	2.28	2.18
	Degree of financial leverage	1.03	1.05	1.04	1.02	1.02

Reasons for changes in financial ratios in the last two years. (Unnecessary if the variation was less than 20%)

1. Average Inventory Turnover Days: The average inventory turnover days increased by 19 days compared to the previous year due to the NT$488,074 thousand increase in inventory.
2. Pre-tax Profit as a Percentage of Paid-up Capital (%): The ratio increased by 24% due to a NT$264,491 thousand increase in net income before tax in 2022.
3. Earnings per Share: The ratio increased by 23% due to the NT$180,423 thousand increase in net income for the period of 2022.
4. Cash Flow Ratio/Cash Reinvestment Ratio: Due to the decrease of NT$299,694 thousand in cash inflow from operating activities in 2022, the ratio decreased by 38% and 69%, respectively.

Note 1: All financial information from 2018 to 2022 has been audited.

Note 2: Below are the formulas used for the financial analyses:

1. Financial position
   (1) Debt-to-assets ratio = total liabilities / total assets.
   (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivables turnover ratio (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities) for each period.
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover ratio = cost of sales / average inventory balance.
   (4) Payables turnover ratio (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities) for each period.
   (5) Average inventory turnover days = 365 / inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment balance.
   (7) Total assets turnover ratio = net sales / total assets.
4. Profitability
   (1) Return on assets = [net income + interest expenses × (1 - tax rate)] / average total asset balance.
   (2) Return on equity = net income / average net shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (net income attributable to owners of the parent company - preferred share dividends) / weighted average outstanding shares (Note 3).
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
   (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 4).
6. Degree of leverage
   (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 5).
   (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

Note 3: The above calculation of earnings per share shall take the following factors into account:
1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
2. Effects of cash issue and treasury stock are adjusted for the length of time the shares were in circulation, and reflected in weighted average outstanding shares.
3. If any additional shares were issued against capitalized earnings or capital surplus, full-year or half-year earnings per share is adjusted retrospectively, regardless of when the additional shares were issued.
4. For preferred shares that are cumulative and non-convertible in nature, all current-year dividends (whether distributed or not) are deducted from net income, or added to net loss. For preferred shares that are non-cumulative in nature, preferred share dividends are deducted from net income, but no adjustment is required for net loss.

Note 4: The cash flow analysis shall take the following factors into account:
1. Net cash flow from operating activities is taken from the amount of net cash in-flows from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow for capital investments.
3. Increase in inventory is taken into the calculation only if the closing balance exceeds the opening balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividends include both common and preferred share cash dividends.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification has to be reasonable and consistent.

Note 6: For companies that issue shares without face value or at any face value other than NT$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to owners of the parent company instead.

(II) Financial analysis for the last 5 years - standalone financial statements/IFRS-compliant

Analysis items (Note 2) \ Year		Financial analysis for the last 5 years (Note 1)				
		2018	2019	2020	2021	2022
Financial position (%)	Debt-to-assets ratio	47.78	47.64	43.85	41.06	37.45
	Long-term capital to property, plant and equipment ratio	576.53	834.30	972.31	1087.04	1,211.98
Solvency (%)	Current ratio	112.65	140.84	158.68	156.59	152.51
	Quick ratio	100.08	123.12	141.18	131.34	123.92
	Interest coverage ratio	37.61	30.53	41.37	71.05	62.96
Operating efficiency	Receivables turnover ratio (times)	2.84	2.73	2.51	3.11	3.10
	Average cash collection days	129	134	146	117	118
	Inventory turnover ratio (times)	5.47	5.65	5.14	5.69	4.75
	Payables turnover ratio (times)	3.17	3.27	3.30	3.71	3.72
	Average inventory turnover days	67	65	71	64	77
	Property, plant and equipment turnover ratio (times)	5.49	5.83	5.23	6.76	8.24
	Total asset turnover ratio (times)	0.54	0.52	0.42	0.49	0.53
Profitability	Return on assets (%)	13.41	13.78	11.86	12.00	13.50
	Return on shareholders' equity (%)	25.18	25.50	21.30	20.54	21.83
	Pre-tax profit as a percentage of paid-up capital (%) (Note 6)	225.73	223.03	211.81	232.87	284.85
	Net profit margin (%)	24.26	25.45	27.30	24.02	24.96
	Earnings per share (NT$) (Note 3)	16.22	17.93	16.84	18.47	22.71
Cash flow	Cash flow ratio (%)	25.73	33.09	54.28	39.74	13.98
	Cash flow adequacy ratio (%)	103.21	119.10	133.46	138.72	121.94
	Cash reinvestment ratio (%)	8.70	5.36	9.59	6.27	(3.88)
Degree of leverage	Degree of operating leverage	1.68	1.69	1.64	1.69	1.87
	Degree of financial leverage	1.03	1.04	1.03	1.02	1.03

Reasons for changes in financial ratios in the last two years. (Unnecessary if the variation was less than 20%)

1. Fixed Asset Turnover: Fixed asset turnover increased by 22% due to an 18% increase in revenue and a 2% decrease in fixed assets in 2022.
2. Pre-tax Profit as a Percentage of Paid-up Capital (%): The ratio increased by 22% due to a NT$221,806 thousand increase in net income before tax in 2022.
3. Earnings per Share: The ratio increased by 23% due to the NT$180,423 thousand increase in net income for the period of 2022.
3. Cash Flow Ratio/Cash Reinvestment Ratio: Due to the decrease of NT$430,249 thousand in cash inflow from operating activities in 2022, the ratio decreased by 64% and 162%, respectively.

Note 1: All financial information from 2018 to 2022 has been audited.

Note 2: Below are the formulas used for the financial analyses:

1. Financial position
   (1) Debt-to-assets ratio = total liabilities / total assets.
   (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivables turnover ratio (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities) for each period.
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover ratio = cost of sales / average inventory balance.
   (4) Payables turnover ratio (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities) for each period.
   (5) Average inventory turnover days = 365 / inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment balance.
   (7) Total assets turnover ratio = net sales / total assets.
4. Profitability
   (1) Return on assets = [net income + interest expenses × (1 - tax rate)] / average total asset balance.
   (2) Return on equity = net income / average net shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (net income attributable to owners of the parent company - preferred share dividends) / weighted average outstanding shares (Note 3).
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
   (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 4).
6. Degree of leverage
   (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 5).
   (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

Note 3: The above calculation of earnings per share shall take the following factors into account:

1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
2. Effects of cash issue and treasury stock are adjusted for the length of time the shares were in circulation, and reflected in weighted average outstanding shares.
3. If any additional shares were issued against capitalized earnings or capital surplus, full-year or half-year earnings per share is adjusted retrospectively, regardless of when the additional shares were issued.

4. For preferred shares that are cumulative and non-convertible in nature, all current-year dividends (whether distributed or not) are deducted from net income, or added to net loss. For preferred shares that are non-cumulative in nature, preferred share dividends are deducted from net income, but no adjustment is required for net loss.

Note 4: The cash flow analysis shall take the following factors into account:

1. Net cash flow from operating activities is taken from the amount of net cash in-flows from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow for capital investments.
3. Increase in inventory is taken into the calculation only if the closing balance exceeds the opening balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividends include both common and preferred share cash dividends.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification has to be reasonable and consistent.

Note 6: For companies that issue shares without face value or at any face value other than NT$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to owners of the parent company instead.

(3) Audit Committee's report on the review of the latest financial statements

Audit Committee's Review Report

We have reviewed the Company's 2022 business report, standalone financial statements, consolidated financial statements, and earnings appropriation proposal prepared by the board of directors. The standalone and consolidated financial statements have been audited by CPAs Chang Li Chun and Fan You Wei of Deloitte Taiwan, to which they issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, standalone financial statements, consolidated financial statements, or earnings appropriation proposal, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely

For

2023 annual general meeting of TSC Auto ID Technology Co., Ltd.

Audit Committee convener: Ma Chia Ying

Audit Committee member: Li Chun Chi

Audit Committee member: Lin Tuo Zhi

Mar. 15, 2023

(4) CPA audit reports on the latest consolidated and standalone financial statements:

Declaration Concerning the Consolidated Financial Statements of Affiliated Enterprises

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for financial year 2022 (from Jan. 1 to Dec. 31, 2022). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements; therefore, no separate consolidated financial statements of affiliated enterprises were prepared.

This declaration is solemnly made by

Name of the company: TSC Auto ID Technology Co., Ltd.

Chairman: Wang Hsing Lei

Mar. 15, 2023

Auditor's Audit Report

To TSC Auto ID Technology Co., Ltd.:

Audit opinions

We have audited the consolidated balance sheet as of Dec. 31, 2022 and Dec. 31, 2021; the consolidated incomes statement from Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021; the consolidated statements of changes in equity and the consolidated statements of cash flows from Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021 of TSC Auto ID Technology Co., Ltd. and its subsidiaries ("TSC Auto ID Technology Group") and the notes to consolidated financial statements (including the summary of major accounting policies).

Based on our audit and other auditors' audit (please refer to "Other Matters"), all material disclosures in the consolidated financial statements mentioned above were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and promulgated by the Financial Supervisory Commission, and provide fair representation of TSC Auto ID Technology Group's consolidated financial status as of Dec. 31, 2022 and 2021, consolidated financial performance from Jan. 1 to Dec. 31, 2022 and 2021, and consolidated cash flows from Jan. 1 to Dec. 31, 2022 and 2021.

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing principles. Our responsibilities as auditor for the consolidated financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the Norm of Professional Ethics for CPA and maintained independence from TSC Auto ID Technology Group when performing their duties. We believe that the evidence obtained from our audit and the audit results of other auditors provide an adequate and appropriate basis for our opinion.

Key Audit Issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2022 consolidated financial statements of TSC Auto ID Technology Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2022 consolidated financial statements of TSC Auto ID Technology Group are as follows:

Impairment assessment for goodwill

TSC Auto ID Technology Group acquired controlling interest in Printronix Auto ID Technology Inc. on Jan. 23, 2016, and later acquired the main business activities and operating assets from Diversified Labeling Solutions, Inc. in Jan. 2019. The acquisition includes the printer business Printronix brand and labeling business DLS brand. Goodwill was recognized in the consolidated financial statements for the respective years, and the amounts are considered material to the consolidated financial statements. Assessment of goodwill impairment depends largely on the estimation of the recoverable amount using future operating cash flow from the printer business Printronix brand and labeling business DLS brand (the cash-generating units). Since the estimation of future operating cash flow involves the management's forecast of the performance of the industry and the Company, the assumptions used for the estimation and preparation are prone to subjective judgment and high levels of uncertainty.

We have taken actions during our audit to address the above uncertainties, including: obtaining a goodwill impairment assessment report issued by a professional appraiser that the management had commissioned; understanding and assessing the rationality of the recoverable amount calculated from the valuation model; and evaluating the overall rationality of the aforementioned goodwill impairment assessment report after taking into consideration the assumptions used in the valuation model, such as sales growth, profit margin, and weighted average funding cost (including the risk-free rate, volatility, and risk premium), the state of the Company's operations, the state of the industry, and future outlook.

Other Matters

As narrated in Note 11 of the consolidated financial statements, amongst the subsidiaries presented in the 2022 and 2021 consolidated financial statements of TSC Auto ID Technology Group were financial statements of important subsidiaries that were audited by other CPAs. Therefore, opinions made in the aforementioned consolidated financial statements in regards to the amounts and footnote disclosures of such businesses were based on the figures recognized and disclosed in audited reports prepared by other CPAs. The total assets of the subsidiaries accounted for 20.99% and 19.12% of the total consolidated assets as of Dec. 31, 2022 and 2021 respectively; The operating revenues of the subsidiaries accounted for 37.43% and 34.37% of the consolidated operating revenues in 2022 and 2021 respectively, and their total comprehensive income accounted for 17.64% and 11.93% of the total consolidated comprehensive income respectively.

TSC Auto ID Technology Co., Ltd. has prepared standalone financial statements for 2022 and 2021, to which we have issued an independent auditor's report with unqualified opinion and made additional disclosures in the Other Matters paragraph.

Responsibilities of the management and governing body of the consolidated financial statements

Responsibilities of the management were to prepare and ensure fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and promulgated by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of the consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing the consolidated financial statements also included assessing the ability of TSC Auto ID Technology Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate TSC Auto ID Technology Group or cease business operations, or is compelled to do so with no alternative solution.

The governing body of TSC Auto ID Technology Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing consolidated financial statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We consider assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of users of the consolidated financial statements.

When conducting audits in accordance with the auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as auditor:

1. Identifying and assessing risks of material misstatement within the consolidated financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Because fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, the risk of not detecting material misstatements arising from fraud is greater than that of misstatements arising from error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinions on the effectiveness of the internal control system of TSC Auto ID Technology Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of TSC Auto ID Technology Group to operate as a going concern, based on the audit evidence obtained. We are obliged to remind users of the consolidated financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or changes of circumstances may still render TSC Auto ID Technology Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of individual entities within the group, and expressing opinions on the consolidated financial statements. Our responsibilities as auditor are

to instruct, supervise and execute audits and form audit opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the Norm of Professional Ethics for CPA, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2022 consolidated financial statements of TSC Auto ID Technology Group. These issues have been addressed in our audit report except for topics that are prohibited by law from being disclosed to the public, or, under extreme circumstances, topics that we decided not to communicate in the audit report because of greater negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan

CPA Chang Li Chun

CPA Fan You Wei

Official Letter of Approval by Financial Supervisory Commission
Financial-Supervisory-Securities-Corporate-1100356048

Official Letter of Approval by Securities and Futures Commission
Taiwan-Finance-Securities-VI-0920123784

Mar. 15, 2023

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2022 and Dec. 31, 2021

Unit: NT$ thousand

Code	Asset	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 1,142,046	14	$ 1,199,879	16
1110	Financial assets at fair value through profit or loss (Notes 7 and 27)	1,798	-	3,061	-
1170	Notes and accounts receivable, net (Notes 9, 28)	1,350,343	16	1,270,068	17
1200	Other receivables (Note 28)	51,116	1	27,419	-
1220	Income tax assets during the period	6,365	-	-	-
130X	Inventory (Note 10)	1,624,449	19	1,158,048	15
1410	Prepayments	69,070	1	35,229	-
1470	Other current assets	1,470	-	2,581	-
11XX	Total current assets	4,246,657	51	3,696,285	48
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Notes 8 and 27)	1,098,160	13	1,068,960	14
1600	Property, plant and equipment (Note 12)	1,053,525	13	1,014,529	13
1755	Right-of-use assets (Note 13)	180,889	2	244,435	3
1780	Other intangible assets (Note 15)	200,919	2	246,691	3
1805	Goodwill (Note 14)	1,058,071	13	953,676	13
1840	Deferred income tax assets (Note 22)	387,569	5	416,976	6
1990	Other non-current assets	68,979	1	28,539	-
15XX	Total non-current assets	4,048,112	49	3,973,806	52
1XXX	Total assets	$ 8,294,769	100	$ 7,670,091	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term loans (Note 16)	$ 876,515	11	$ 550,706	7
2120	Financial liabilities at fair value through profit or loss (Notes 7 and 27)	1,984	-	443	-
2170	Accounts payable (Note 28)	698,489	8	758,245	10
2200	Other payables (Notes 17, 28)	430,321	5	373,131	5
2230	Income tax liability during the period	120,953	1	191,874	3
2250	Liability reserve	6,618	-	6,083	-
2280	Lease liability (Note 13)	92,735	1	101,861	1
2320	Long-term liabilities due within one year (Note 16)	63,000	1	65,000	1
2399	Other current liabilities (Note 20)	130,883	2	153,194	2
21XX	Total current liabilities	2,421,498	29	2,200,537	29
	Non-current liabilities				
2540	Long-term loans (Note 16)	557,000	7	835,000	11
2570	Deferred income tax liabilities (Note 22)	383,490	5	302,575	4
2580	Lease liability (Note 13)	95,534	1	172,318	2
2640	Net defined benefit liability (Note 18)	14,954	-	19,731	-
2670	Other non-current liabilities	71,568	1	51,787	1
25XX	Total non-current liabilities	1,122,546	14	1,381,411	18
2XXX	Total liabilities	3,544,044	43	3,581,948	47
	Equity (Note 19)				
	Share capital				
3110	Ordinary share capital	425,129	5	424,769	5
3140	Advanced receipt of share capital	60	-	-	-
3100	Total share capital	425,189	5	424,769	5
3200	Capital surplus	615,845	7	592,852	8
	Retained earnings				
3310	Legal reserve	673,504	8	595,108	8
3320	Special reserve	8,597	-	8,597	-
3350	Unappropriated earnings	2,537,721	31	2,113,635	27
3300	Total retained earnings	3,219,822	39	2,717,340	35
3400	Other equity	489,869	6	353,182	5
3XXX	Total equity	4,750,725	57	4,088,143	53
	Total liabilities and equity	$ 8,294,769	100	$ 7,670,091	100

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei　　Chief Executive Officer: Chen Ming-Yi　　Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Comprehensive Income Statement

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Unit: NT$ thousands except NT$ for earnings per share

		2022		2021	
Code		Amount	%	Amount	%
	Operating incomes (Notes 20, 28, 32)				
4110	Revenues	$ 7,966,918	100	$ 6,848,808	100
	Operating costs (Notes 10, 21, 28)				
5110	Cost of goods sold	5,319,459	67	4,573,431	67
5900	Gross profits	2,647,459	33	2,275,377	33
	Operating expenses (Notes 9, 21, 28)				
6100	Sales & marketing expenses	702,486	9	620,763	9
6200	Administrative expenses	457,349	5	391,492	6
6300	R&D expenses	229,823	3	212,892	3
6000	Total operating expenses	1,389,658	17	1,225,147	18
6900	Operating profits	1,257,801	16	1,050,230	15
	Non-operating incomes and expenses (Note 21)				
7100	Interest income	4,082	-	4,390	-
7190	Other incomes	67,109	1	40,683	1
7020	Other gains and losses	46,918	-	13,165	-
7050	Financial cost	(28,516)	-	(25,565)	-
7000	Total non-operating incomes and expenses	89,593	1	32,673	1
7900	Profits before tax	1,347,394	17	1,082,903	16
7950	Income tax expenses (Note 22)	382,485	5	298,417	4
8200	Current net income	964,909	12	784,486	12

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income				
8310	Items that are not to be reclassified to profit or loss				
8311	Remeasurement of defined benefit plan (Note 18)	4,819	-	(524)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive incomes (Note 19)	(55,335)	(1)	223,040	3
		(50,516)	(1)	222,516	3
8360	Items that may be subsequently reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations (Note 19)	240,028	3	(75,615)	(1)
8399	Income tax components that may be reclassified (Note 22)	(48,006)	-	15,123	-
		192,022	3	(60,492)	(1)
8300	Other comprehensive income for the year (net of tax)	141,506	2	162,024	2
8500	Total comprehensive income for the year	$ 1,106,415	14	$ 946,510	14
	Net income attributable to:				

8610	Shareholders of the Company	$ 964,909	12	$ 784,486	11
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 1,106,415	14	$ 946,510	14
	Earnings per share (Note 23)				
9710	Basic	$ 22.71		$ 18.47	
9810	Diluted	$ 22.45		$ 18.32	

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei	Chief Executive Officer: Chen Ming-Yi	Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Statement of Changes in equity

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Unit: NT$ thousand unless otherwise indicated

Code		Share capital					Retained earnings				Other equity			
		No. of shares (thousand shares)	Ordinary share capital	Advanced receipt of share capital	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain of financial assets measured at fair value through other comprehensive incomes	Total	Total equity
A1	Balance on Jan. 1, 2021	42,477	$ 424,769	$ -	$ 424,769	$ 577,665	$ 523,393	$ 8,597	$ 1,826,157	$ 2,358,147	($ 233,777)	$ 424,411	$ 190,634	$ 3,551,215
	Appropriation and distribution of 2020 earnings													
B1	Legal reserve	-	-	-	-	-	71,715	-	(71,715)	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	-	(424,769)	(424,769)	-	-	-	(424,769)
D1	2021 net income	-	-	-	-	-	-	-	784,486	784,486	-	-	-	784,486
D3	2021 other comprehensive income - after tax	-	-	-	-	-	-	-	(524)	(524)	(60,492)	223,040	162,548	162,024
D5	Total comprehensive income of 2021	-	-	-	-	-	-	-	783,962	783,962	(60,492)	223,040	162,548	946,510
N1	Share-based compensation – employee stock options (Note 24)	-	-	-	-	15,187	-	-	-	-	-	-	-	15,187
Z1	Balance on Dec. 31, 2021	42,477	424,769	-	424,769	592,852	595,108	8,597	2,113,635	2,717,340	(294,269)	647,451	353,182	4,088,143
G1	Exercise of employee stock options	36	360	60	420	6,296	-	-	-	-	-	-	-	6,716
	Appropriation and distribution of 2021 earnings													
B1	Legal reserve	-	-	-	-	-	78,396	-	(78,396)	-	-	-	-	-
B5	Cash dividends to the company's shareholders	-	-	-	-	-	-	-	(467,246)	(467,246)	-	-	-	(467,246)
D1	2022 net income	-	-	-	-	-	-	-	964,909	964,909	-	-	-	964,909
D3	2022 other comprehensive income - after tax	-	-	-	-	-	-	-	4,819	4,819	192,022	(55,335)	136,687	141,506
D5	Total comprehensive income of 2022	-	-	-	-	-	-	-	969,728	969,728	192,022	(55,335)	136,687	1,106,415
M3	Income taxes related to subsidiaries under organizational restructuring (Notes 22, 25)	-	-	-	-	1,984	-	-	-	-	-	-	-	1,984
N1	Share-based compensation – employee stock options (Note 24)	-	-	-	-	14,713	-	-	-	-	-	-	-	14,713
Z1	Balance on Dec. 31, 2022	42,513	$ 425,129	$ 60	$ 425,189	$ 615,845	$ 673,504	$ 8,597	$ 2,537,721	$ 3,219,822	($ 102,247)	$ 592,116	$ 489,869	$ 4,750,725

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei

Chief Executive Officer: Chen Ming-Yi

Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Consolidated Statement of Cash Flows

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Pre-tax profit for the current period	$ 1,347,394	$ 1,082,903
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	193,442	181,348
A20200	Amortization	80,406	74,929
A20300	Expected credit impairment loss (reversal gain)	(3,487)	9,563
A20900	Financial cost	28,516	25,565
A21200	Interest income	(4,082)	(4,390)
A21300	Dividend income	(37,000)	(20,400)
A21900	Cost of employee stock options	14,713	15,187
A22500	Loss from disposal of property, plant and equipment	4,467	2,158
A23700	Loss for market price decline and obsolete inventory	27,799	4,010
A24100	Unrealized foreign exchange (gains) losses	(44,802)	5,496
A29900	Gain on lease amendment	(621)	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets designated at fair value through profit or loss	1,263	(2,127)
A31150	Notes and accounts receivable	22,229	(221,328)
A31180	Other receivables	(28,274)	(16,747)
A31200	Inventory	(417,741)	(429,016)
A31230	Prepayments	(36,731)	(2,710)
A31240	Other current assets	158	(891)
A31990	Other non-current assets	662	338
A32110	Financial liabilities held for trading	1,541	(2,792)
A32150	Accounts payable	(129,093)	279,587
A32180	Other payables	8,333	112,804
A32230	Other current liabilities	(25,850)	60,050
A32240	Net defined benefit liability	42	(3,653)
A32990	Other non-current liabilities	17,577	5,253
A33000	Cash inflows from operating activities	1,020,861	1,155,137
A33100	Interest received	4,220	4,098
A33500	Income tax paid	(372,952)	(207,412)
AAAA	Net cash flows from operating activities	652,129	951,823

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Code		2022	2021
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive incomes	($ 84,535)	$ -
B02700	Purchase of property, plant and equipment	(85,236)	(146,936)
B02800	Property, plant and equipment	2,031	943
B03700	Increase in refundable deposits	(470)	(4,717)
B03800	Decrease in refundable deposits	5,321	83
B04500	Purchase of intangible assets	(15,152)	(15,742)
B07100	Increase in equipment prepayments	(59,153)	(6,278)
B07600	Dividends received	37,000	20,400
BBBB	Net cash outflows from investing activities	(200,194)	(152,247)
	Cash flows from financing activities		
C00100	Increase (decrease) in net short-term loans	320,151	(237,239)
C01600	Borrowing of long-term loans	280,000	300,000
C01700	Repayment of long-term loans	(560,000)	(430,000)
C03000	Collect the guarantee deposits received	84	-
C03100	Return of guarantee deposits received	(317)	(216)
C04020	Repayment of lease principals	(111,120)	(69,728)
C04500	Cash dividends paid	(467,246)	(424,769)
C04800	Exercise of employee stock options	6,716	-
C05600	Interest paid	(26,894)	(25,723)
CCCC	Net cash outflows from financing activities	(558,626)	(887,675)
DDDD	Currency impact on cash and cash equivalents	48,858	(19,961)
EEEE	Net decrease in cash and cash equivalents	(57,833)	(108,060)
E00100	Cash and cash equivalents at the beginning of the year	1,199,879	1,307,939
E00200	Cash and cash equivalents at the end of the year	$ 1,142,046	$ 1,199,879

The notes are an integral part of these consolidated financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei　　Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries
Notes to Consolidated Financial Statements
From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021
(Unit: NT$ thousand unless otherwise indicated)

I. Company History

TSC Auto ID Technology Co., Ltd. ("the Company"), founded on Mar. 19, 2007, is a global company in auto-identification systems/products manufacturing and services. The Company was listed on the TPEx on Nov. 26, 2008.

The consolidated financial statements are expressed in NT dollars, the Company's functional currency.

II. Dates and procedures of approving financial reports

The consolidated financial reports were approved by the Board of Directors on Mar. 15, 2023.

III. Applicability of New and Modified Standards and Interpretations

(I) First adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations recognized and promulgated by the Financial Supervisory Commission (collectively referred to "IFRSs")

According to the consolidated company's assessment, the adoption of the IFRSs recognized and promulgated in 2022 by the Financial Supervisory Commission will not cause material changes to the consolidated company's accounting policies.

(II) IFRSs published by International Accounting Standards Board (IASB), recognized by the Financial Supervisory Commission and applicable in 2023

Newly published/amended/revised standards and interpretations	IASB release and effective date
IAS 1 Amendment: Disclosure of Accounting Policies	Jan. 1, 2022 (Note 1)
IAS 8 Amendment: Definition of Accounting Estimates	Jan. 1, 2023 (Note 2)
IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	Jan. 1, 2023 (Note 3)

Note 1: The adoption of this amendment is the annual reporting periods from Jan. 1, 2023 onward.

Note 2: The amendment is applicable to the changes of accounting estimates and accounting policies during the annual reporting periods from Jan. 1, 2023 onward.

Note 3: The amendment is applicable to the transactions after Jan. 1, 2022 except for temporary differences in relation to leases and decommissioning obligations on Jan. 1, 2022 recognized as deferred income taxes.

As of the date these consolidated financial statements were approved and released and according to the consolidated company's assessment, the adoption in 2023 of the amended standards and interpretations recognized by the Financial Supervisory Commission will not cause significant influence on its financial status or financial performance.

(III) IFRSs published by International Accounting Standards Board (IASB) but yet to be recognized by the Financial Supervisory Commission

Newly published/amended/revised standards and interpretations	IASB release and effective date (Note 1)
IFRS 10 and IAS 28 Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD
IFRS 16 Amendment: Lease Liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
IFRS 17: Insurance Contracts	Jan. 1, 2023
IFRS 17 Amendment	Jan. 1, 2023
IFRS 17 Amendment: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	Jan. 1, 2023
IAS 1 Amendment: Classification of Liabilities as Current or Non-current	Jan. 1, 2024
IAS 1 Amendment: Non-current Liabilities with Covenants	Jan. 1, 2024

Note 1: Unless otherwise indicated, the abovementioned newly published, amended or revised standards and interpretations shall take effect on annual reporting periods after respective dates.

Note 2: The seller and lessee shall amend the sale and leaseback deal signed after the first time application of IFRS 16 for retrospective application.

As of the date these consolidated financial statements were approved and released, the consolidated company continued to assess the impact of other amended standards and interpretations on its financial status and financial performance. The relevant effects shall be disclosed once the assessment has been completed.

IV. Summary of Material Accounting Policies

(I) Statement of Compliance

These consolidated financial statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs recognized and promulgated by the Financial Supervisory Commission.

(II) Basis of Preparation

These consolidated financial statements were prepared according to historical costs except for the financial instruments measured at fair value and the net defined benefit liability calculated with the present value of the defined benefit obligation less the fair value of the asset plan.

The measurement of fair values can be classified into Level 1, Level 2 and Level 3 according to the level of observability and importance of relevant inputs.

1. Level 1 inputs: (unadjusted) quoted prices for identical assets or liabilities in active and liquid markets.
2. Level 2 inputs: input values of assets or liabilities observable directly (i.e., prices) or indirectly (i.e., inferred prices) other than Level 1 quoted prices.
3. Level 3 inputs: unobservable inputs for assets or liabilities.

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

Current assets include:

1. Assets that are held mainly for the purpose of trading;
2. Assets that are expected to be realized within 12 months after the end of the reporting period; and

3. Cash and cash equivalents (except for those that are intended to be swapped or settled against liabilities more than 12 months after the end of the reporting period or those with restricted uses).

Current liabilities include:

1. Liabilities that are held mainly for the purpose of trading;
2. Liabilities that are expected to be repaid within 12 months after the end of the reporting period; and
3. Liabilities where the repayment terms cannot be extended unconditionally beyond 12 months after the end of the reporting period.

Assets and liabilities that do not satisfy the above criteria are classified into non-current assets or non-current liabilities.

(IV) Basis of Consolidation

These consolidated financial statements include the Company and the entities (subsidiaries) controlled by the Company. The financial statements of subsidiaries have been adjusted so that their accounting policies are consistent with the consolidated company. All the transactions, account balances, incomes and gains, expenses and losses among individual entities have been canceled out in the preparation of the consolidated financial statements. The comprehensive incomes of subsidiaries are attributable to the shareholders of the Company.

The Group adopts the book value method for business combinations under common control (group restructuring). Since the ultimate controlling parties are the same, the Group does not lose control over the changes in ownership in the subsidiaries. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly as an adjustment to equity and does not affect the preparation of the consolidated financial statements.

Please refer to Note 11 and Table 7 for a detailed list of the subsidiaries, shareholding percentages in these subsidiaries and their businesses.

(V) Foreign currency

During the preparation of the financial report, transactions denominated in currencies other than the functional currency of the respective entities (i.e. foreign currency transactions) are converted and recorded in the functional currency using the exchange rate at the transaction date.

Monetary foreign currency accounts are converted using the closing exchange rates at the end of each reporting period. Exchange differences arising from the settlement or translation of monetary accounts are recognized in profit or loss in the year in which they occurred.

Foreign currency-denominated non-monetary items measured at fair value are converted using exchange rates as of the date of fair value assessment, with exchange differences recognized in current profit or loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items measured at historical cost are converted using the exchange rate at the date of the initial transaction. No further conversion is made.

When preparing the consolidated financial statements, assets and liabilities of foreign operations (including subsidiaries that operate in countries or use currencies that are different from the Company) are converted into NTD using the exchange rates at the end of each reporting period. Revenues, expenses, and losses are converted using the average exchange rate of the current year; any exchange differences that arise as a result are recognized in other comprehensive income.

Goodwill arising from the acquisition of foreign operations and fair value adjustments to the book value of assets and liabilities as a result of acquiring foreign operations are accounted as assets and liabilities of the respective foreign operations. These amounts are converted using the closing exchange rates at the end of each reporting period, and any exchange differences that arise as a result are recognized in other comprehensive income.

(VI) Inventory

Inventory comprises raw materials, works-in-progress, finished goods, and semi-finished goods. Inventory is measured at the lower of cost or net realizable value; the lower of cost or net realizable value is compared item-by-item, except items within the same category. Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances. Cost of inventory is calculated using the weighted average method.

(VII) Property, plant and equipment

Property, plant and equipment are initially recognized at cost, and subsequently measured at cost after accumulated depreciation and impairment.

No depreciation is provided on land, whereas property, plant and equipment are depreciated using the straight-line method over their useful lives. Depreciation is provided separately for each major component. The consolidated company reviews estimated useful life, residual value, and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Gains or losses arising from derecognized property, plant and equipment are calculated as the difference between disposal proceeds and the asset's book value, and are recognized through profit or loss.

(VIII) Goodwill

Goodwill acquired from business combination is recognized at cost on the acquisition date, and subsequently measured at cost after cumulative impairment.

For the purpose of impairment test, goodwill is allocated to various cash-generating units or cash-generating groups (collectively referred to as “cash-generating units”) that the consolidated company expects will benefit from the combination.

Cash-generating units to which goodwill is allocated will undergo impairment tests separately each year (and whenever there are signs indicating impairment of the unit) by comparing a unit's book value, including goodwill, with its recoverable amount. Cash-generating units that have been allocated goodwill through business combination in a given year are required to conduct an impairment test before the end of that year. If a goodwill-allocated cash-generating unit exhibits a recoverable amount that is lower than its book value, an impairment loss shall be recognized to first reduce the book value of the goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce the book values of other assets within the unit on the basis of the book value weight of each asset. Any impairment losses are directly recognized as loss in the current period. Impairment loss on goodwill cannot be reversed in a later period.

When disposing part of a cash-generating unit in which goodwill is allocated, the amount of goodwill relating to the operation being disposed is included in the operation's book value to determine the gain or loss on disposal.

(IX) Intangible assets

1. Acquisition by separate purchase

   Intangible assets that are acquired through separate purchase with limited useful life are initially recognized at cost, and subsequently measured at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively. Intangible assets that are without defined useful lives are presented at cost less accumulated impairment.

2. Derecognition

   When derecognizing intangible assets, the difference between the net disposal proceeds and book value of the assets is recognized in current profit or loss.

(X) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (except goodwill)

The consolidated company evaluates all property, plant and equipment, right-of-use assets, and intangible assets (except goodwill) for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have the recoverable amount estimated. If the recoverable amount can not be estimated for a particular asset, the consolidated company will instead estimate the recoverable amount for the entire cash-generating unit the asset belongs to.

Recoverable amount is the higher of the fair value less selling costs and the use value. If the recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset or cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized in profit or loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized through profit or loss.

(XI) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the consolidated company becomes a party of the contract of these instruments.

When initially recognizing financial assets and liabilities, those that are not designated to be measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities measured at fair value through profit or loss are recognized immediately through profit or loss.

1. Financial Assets

Routine transactions of financial assets are recognized on or derecognized from the balance sheet based on principle of trade date accounting.

(1) Measurement category

Financial assets held by the consolidated company are divided into the following categories: financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and equity instrument investments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets held by the consolidated company measured at fair value through profit or loss mainly comprise derivatives mandatorily measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value. Gains and losses from remeasurement are recognized as other gains and losses. See Note 27 for details regarding the fair value method.

B. Financial assets measured at amortized cost

Financial asset investments held by the consolidated company that satisfy both the following conditions are measured at amortized cost:

a. The financial asset is held for a specific business model, the purpose of which is to hold the financial asset and collect contractual cash flow; and

b. The contractual terms give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

For financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables measured at amortized cost, etc.), the effective interest method is used to determine the book value at initiation. They are subsequently measured net of impairments and amortization. Any gain/loss from currency exchange incurred on these financial assets is recognized in profit or loss.

Interest income is calculated by multiplying the book value of the financial asset with the effective interest rate.

Financial assets are considered credit-impaired if the issuer or debtor exhibits major financial distress, default, likely bankruptcy, financial restructuring, or any financial difficulty that may render the financial asset no longer available on the active market.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instrument investments measured at fair value through other comprehensive income

For equity instrument investments that are neither held for trading nor recognized/received as a consideration for business acquisition, the consolidated company is entitled to an irrevocable option to account them at fair value through other comprehensive income at initial recognition.

Equity instrument investments measured at fair value through other comprehensive income are measured at fair value; subsequent fair value changes are recognized in other comprehensive income and accumulated under other equity. Upon disposal of investments, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified as profit or loss.

Dividends from equity instrument investments measured at fair value through other comprehensive income are recognized in profit or loss when the entitlement to receive is confirmed, unless the dividends clearly represent a partial recovery of the investment cost.

(2) Impairment of financial assets

At the end of each reporting period, the consolidated company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) based on expected credit losses.

All accounts receivable have loss provisions recognized based on expected credit losses over their duration. For other financial assets, the Company first evaluates whether there is significant increase in credit risk since initial recognition. If there is no significant increase in credit risk, loss provisions are recognized based on 12-month expected credit loss; if there is significant increase in credit risk, loss provisions are recognized based on expected credit loss over the remaining duration.

Expected credit losses are determined as average credit loss weighted against the risk of default. 12-month expected credit losses represent the amount of expected credit losses that the financial instrument is likely to incur due to default event in the next 12 months, whereas expected credit losses for the remaining duration represent the amount of credit losses that the financial instrument is likely to incur due to all possible default events for the remaining duration.

For the purpose of internal credit risk management, a financial asset is deemed to have defaulted in any of the following circumstances, without considering the presence of collaterals:

A. There is internal or external information to indicate that the debtor is unable to settle outstanding debts.

B. Payment is overdue for more than 365 days, unless there is reasonable and supportable information to demonstrate that a postponed default criterion is more appropriate.

All impairment losses on financial assets are recognized using allowance accounts, which reduce the book value of the corresponding financial asset.

(3) Derecognition of financial assets

Financial assets can be derecognized from the balance sheet only if all contractual cash flow entitlements from the financial assets have ended, or if the financial assets have been transferred with virtually all risks and returns assumed by another party.

The difference between the book value of a financial asset measured at amortized cost and the amount of consideration received for the asset's derecognition is recognized in profit or loss. When a equity instrument measured at fair value through other comprehensive income is derecognized from the balance sheet, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified as profit or loss.

2. Financial Liabilities

(1) Subsequent measurement

Financial liabilities that are neither held for trading nor designated to be measured at fair value through profit or loss are measured at amortized cost using the effective interest method.

Financial liabilities held by the consolidated company measured at fair value through profit or loss mainly comprise financial liabilities held for trading; any gains or losses from subsequent remeasurement are recognized in other gains and losses. See Note 27 for details regarding the fair value method.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities from the balance sheet, any differences between the book value and the consideration paid are recognized as profit or loss.

3. Derivatives

The consolidated company utilizes derivatives including currency forwards and interest rate swaps; they are used for the management of exchange rate risks.

Derivatives are recognized at fair value at the time the contracts are signed, and subsequently remeasured at fair value at the end of each reporting period. Gains or losses arising from subsequent remeasurements are recognized directly in profit or loss. Derivatives with positive fair values are presented as financial assets; those with negative fair values are presented as financial liabilities.

(XII) Liability reserve

Liability reserves are recognized to account for the risk and uncertainty of obligations. It represents the best estimate of the cash outlay needed to settle obligations on the balance sheet date. Liability reserves are measured by estimating the present discounted value of cash flows needed to settle obligations.

Warranty

Warranty obligations for products that meet the agreed specifications represent the management's best estimate about the amount of cash outlay that the consolidated company has to incur to settle its obligations. These liabilities are recognized when revenues have been recognized on corresponding products.

(XIII) Revenue recognition

The consolidated company first identifies performance obligations in contracts it signs with customers, then divides and allocates the transaction sums to various obligations, and recognizes revenue when each obligation is fulfilled.

1. Revenue from sale of merchandise

   Revenue from sale of merchandise refers to the sale of barcode printers, parts, and accessories. The consolidated company recognized the revenue as accounts receivable upon the transfer of the controlling rights of the products to the customers. Controlling rights mainly refer to the customers who already have the rights for pricing and use of the products, have main responsibilities for their re-sale, and bear the risk of product obsolescence. The timing of transfer is to be decided based on the transaction terms agreed with the customers (such as, the goods have arrived at the designated location before shipment or at the destination port for loading and so on that satisfy the timing of the contract obligation). Advance receipts collected before the completion of sales of merchandise are recognized as contractual liabilities, and are reclassified as revenue when the controlling rights of the merchandise have been transferred.

   Raw materials that are outsourced for processing involve no transfer of ownership or control, therefore no revenue is recognized on the transaction.

2. Service income

   Service income is generated from warranty extension, and is initially recognized as contractual liability at the time when proceeds are collected from customers. The duration of service ranges from 1 year to 5 years. The amount contains no significant financing component.

Income is recognized monthly using the straight-line method over the duration of service contracts, as customers use up warranty coverage offered by the consolidated company.

3. Dividend and interest income

Dividend income from investment is recognized when shareholders' entitlement has been established, provided that economic benefits of such a transaction are very likely to be received by the consolidated company, and that the amount of income can be measured reliably.

Interest income on financial assets is recognized when the consolidated company is very likely to realize the associated economic benefits, and that the amount of income can be measured reliably. Interest income is recognized by applying the applicable effective interest rate on outstanding principal over the duration of time elapsed.

(XIV) Leases

The consolidated company evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of contract establishment.

1. Where the consolidated company is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership of the underlying asset to the lessee. All other lease arrangements are classified as operating lease.

Proceeds received from operating leases net of lease incentives are recognized as income on a straight-line basis over the lease tenor.

When sub-leasing right-of-use assets, the consolidated company classifies the sublease based on the right of use involved (instead of the underlying asset). However, where the main lease is a short-term lease that is exempted from lease recognition, the consolidated company classifies the sublease as an operating lease.

Proceeds received from operating leases net of lease incentives are recognized as income on a straight-line basis over the lease tenor.

2. Where the consolidated company is the lessee

The Company recognizes right-of-use assets and lease liabilities from the lease start date for each lease arrangement, except for exempted low-value underlying assets and short-term leases where expenses are recognized on a straight-line basis over the lease tenor.

Right-of-use assets are initially measured at cost (mainly the initial amount of lease liability), and subsequently at cost less accumulated depreciation and impairment with adjustments made to the remeasurement of lease liability. Right-of-use assets are presented individually on the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of the useful life or until expiry of the lease tenor, whichever the earlier.

Lease liabilities are measured at the present value of lease payments (mostly fixed payments) at initiation. Lease payments are discounted at the implicit interest rate if it can be determined easily. If the interest rate cannot be determined easily, the lessee's incremental borrowing rate is used instead.

Subsequently, lease liability is measured at cost after amortization using the effective interest method, whereas interest expense is amortized over the lease tenor. If there is any change to the amounts to be paid over the lease tenor that leads to changes in future lease payments, the consolidated company will remeasure its lease liabilities and make corresponding adjustments to right-of-use assets. If, however, the book value of right-of-use assets has already been reduced to zero, any remaining remeasurements are recognized in profit or loss. Lease liabilities are presented individually on the consolidated balance sheet.

(XV) Borrowing costs

All borrowing costs are recognized through profit or loss in the year in which they occur.

(XVI) Government grants

Government grants are recognized only when the consolidated company has reasonable assurance towards fulfilling the government's grant criteria and receiving the grant.

Government grants that are intended to compensate the consolidated company for expenses or losses already incurred, or to provide the consolidated company with immediate financial support with no future related costs, are recognized in profit or loss in the periods in which they are receivable.

(XVII) Employee benefits

1. Shor-term employee benefits

   Liabilities associated with short-term employee benefits are measured at the non-discounted amount of cash that the Company expects to pay in exchange for employees' services.

2. Retirement benefits

   For defined contribution plans, the amount of contributions that is appropriated to pension funds over the duration of employees' services is recognized as expense.

   For defined benefit plans, the cost of benefits (including service cost, net interest, and effect of remeasurement) is estimated using the projected unit credit method. Current service costs and net interests on net defined benefit liabilities are recognized as employee benefit expense at the time incurred. Effects of remeasurement (including actuarial gains/losses and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit or loss in subsequent periods.

   Net defined benefit liabilities represent the shortfall of contributions made to the defined benefit plan.

(XVIII) Shares-based Payment Agreement

Vested employee stock options

Employee stock options are measured based on the fair value of equity instruments and the best quantity estimate on the grant date. Expenses are recognized on a straight-line basis over the vesting period with simultaneous adjustments made to capital surplus - employee stock options. If stock options are vested on the day granted, then all expenses are to be recognized on the grant date. The consolidated company designates the board approval date as the grant date.

The consolidated company revises its estimate on the amount of employee stock options to be vested at the end of each reporting period. If any amendment is made to the original estimate, its effect is recognized in profit or loss so that cumulative expenses can accurately reflect the amended estimate. Meanwhile, corresponding adjustments are made to capital surplus - employee stock options.

(XIX) Income taxes

Income tax expense represents the sum of current year's income tax and deferred income tax.

1. Current income tax

The consolidated company reports current period income (loss) and calculates income tax payable (refundable) according to tax laws stipulated by the local tax jurisdiction.

Pursuant to the Income Tax Act of R.O.C, undistributed earnings are subject to additional income tax, which is recognized in the year shareholders resolve to retain the earnings.

Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred income tax

Deferred income taxes are tax effects of temporary differences deriving from the different book value of assets and liabilities presented in the financial statement and those reported for tax filing. Assets and liabilities that arise as a result of transaction other than business merger and present no impact on taxable income or accounting profit at initial recognition do not have temporary differences recognized as deferred income tax assets and liabilities. Furthermore, no deferred income tax liability is recognized on taxable temporary differences that arise from the initial recognition of goodwill.

Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized when they are very likely to generate taxable income in the future to offset deductible temporary differences, loss carryforwards, and research and development expenses.

Taxable temporary differences relating to investments in subsidiaries are recognized as deferred income tax liabilities. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to realize the temporary differences, and that reversal is expected in the foreseeable future.

The book value of deferred income tax asset is re-assessed at the end of each reporting period. The Company will reduce the book value when it is no longer highly likely to generate enough taxable income to realize part or all of the assets. The book value of unrecognized deferred income tax assets is re-assessed at the end of each reporting period. The Company will increase the book value when it is highly likely to generate enough taxable income to realize part or all of the assets.

Deferred income tax assets and liabilities are measured using the tax rate applicable at the time the liability/asset is expected to be settled/realized. This tax rate is determined based on the tax rate and tax laws prevailing at the end of the reporting period. Deferred income tax liabilities and assets represent tax impacts of the method by which the consolidated company expects to recover or settle the book value of its assets and liabilities at the end of the reporting period.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in profit or loss, except for current and deferred income taxes related to items recognized in other comprehensive income or directly listed under equity items, which are also recognized in other comprehensive income or directly listed under equity.

V. Key Sources of Uncertainty in Significant Accounting Judgements, Estimates and Assumptions

With regard to the adoption of accounting policies by the consolidated company, management must make judgments, estimates and assumptions based on historical experience and other relevant factors if relevant information is not readily available from other sources. The actual outcome may be different from the estimates.

The consolidated company incorporates the potential near-term influence of COVID-19 on Taiwan’s development and economic environment into the major accounting estimates such as cash flows, growth, discount rates and profitability. Management will continue to review these estimates and assumptions. If an estimated change only affects the current period, the change shall be recognized during the period. If a change of accounting estimates affects both the current and future periods, the change shall be recognized during the current and future periods.

Assessment of goodwill impairment

When determining whether there is impairment of goodwill, it is necessary to evaluate the use value of various cash-generating units in which goodwill is allocated. To calculate the use value, the management is required to estimate future cash flows for each cash-generating unit, and determine the appropriate discount rate to be used for calculating present value. If the actual cash flow is lesser than expected, or if there are changes to the facts and situations that result in amendments to the cash flow either for lower or a higher discount rate, these may generate major impairment losses.

VI. Cash and Cash Equivalents

	Dec. 31, 2022	Dec. 31, 2021
Vault cash and petty cash	$ 79	$ 74
Bank checks and demand deposits	465,607	862,995
Cash equivalents		
Fixed-term bank deposits with original maturity within three months	176,360	336,810
Bills sold under repurchase agreements	500,000	-
	$ 1,142,046	$ 1,199,879

Range of market interest rates applicable to bank time deposits and bills sold under repurchase agreements as of the balance sheet date is shown below:

	Dec. 31, 2022	Dec. 31, 2021
Fixed-term deposits	1.20%~1.40%	0.25%~2.15%
Bills sold under repurchase agreements	0.98%~1.02%	-

VII. Financial instruments measured at fair value through profit or loss

	Dec. 31, 2022	Dec. 31, 2021
Financial Assets – Current		
Designated at fair value through profit or loss		
Derivatives (non-hedging)		
— Currency forward contracts (1)	$ -	$ 1,484
—Currency swaps (2)	1,798	1,577
	$ 1,798	$ 3,061
Financial Liabilities – Current		
Held for trading		
Derivatives (non-hedging)		
— Currency forward contracts (1)	$ 436	$ 114
—Currency swaps (2)	1,548	329
	$ 1,984	$ 443

(I) A summary of the outstanding currency forward contracts not under hedge accounting as of the balance sheet date is as follows:

Dec. 31, 2022

	Currency	Maturity	Nominal value (NT$ thousand)
Short forwards	USD to NTD	Feb. 17, 2023	USD 2,000/NTD 60,718

Dec. 31, 2021

	Currency	Maturity	Nominal value (NT$ thousand)
Short forwards	Euro to NTD	Jan. 14, 2022 to Feb. 16, 2022	EUR 5,000 /NTD 157,122
	USD to NTD	Jan. 21, 2022 to Apr. 8, 2022	USD 12,000/NTD 333,179

The consolidated company primarily engages in currency forward transactions to hedge the risks associated with exchange rate fluctuations for assets and liabilities denominated in foreign currencies.

(II) A summary of the outstanding currency swap contracts not under hedge accounting as of the balance sheet date is as follows:

Dec. 31, 2022

	Nominal value (NT$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 7,200/NTD 219,593	29.663~30.901	Feb. 17, 2023 to May 19, 2023

Dec. 31, 2021

	Nominal value (NT$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 7,000/NTD 195,410	27.845~28.01	Jan. 18, 2022 to Mar. 21, 2022
	NTD 83,394/USD 3,000	27.784~27.805	Jan. 20, 2022

The consolidated company primarily engages in currency swap transactions to hedge the risks associated with exchange rate fluctuations for assets denominated in foreign currencies.

VIII. Financial assets measured at fair value through other comprehensive incomes

	Dec. 31, 2022	Dec. 31, 2021
Equity Instrument Investments – Non-Current		
Domestic investments		
TPEx-listed stocks	$1,098,160	$1,068,960

The consolidated company invests in ordinary shares listed on the TPEx for mid-to-long term strategic purposes and seeks to profit from long-term investments. The consolidated company's management does not think recognizing the short-term fair value volatility of such investments as profit or loss aligned with the long-term investment planning abovementioned. Therefore, management decided to designate such investments measured at fair value through other comprehensive incomes.

IX. Notes and Accounts Receivable

	Dec. 31, 2022	Dec. 31, 2021
Receivables		
Notes receivable	$ 536	$ 221
Accounts receivable	1,366,873	1,293,716
Less: allowance for losses	(17,114)	(23,884)
Accounts receivable – affiliated parties (Note 28)	48	15
	$ 1,350,343	$ 1,270,068

Accounts receivable

The consolidated company's average credit period for products sold is 45 days after the issuance of invoices or 45 to 60 days based on monthly statements. Accounts receivable do not accrue interests. Before accepting new customers, the consolidated company assesses the credit quality of the potential customers and determines the credit allowance for such customers through internal credit evaluation procedures. The credit allowance and ratings for customers are periodically reviewed according to actual requirements. When determining the recoverability of accounts receivable, the consolidated company takes into account any change of the credit quality from the original credit date to the balance sheet date. It refers to past late payments and current financial statuses of counterparties. The unrecoverable amount of receivables is reviewed and estimated case by case in order to recognize an appropriate allowance for credit losses for the receivables that may not be recovered.

In addition to the recognition of allowance for credit losses for individual customers experiencing credit impairment, the consolidated company recognizes an allowance for expected credit loss during the lifetime of receivables. The consolidated company decides whether to categorize individual customers into different risk groups by considering past default records and current financial status of the customers and the economic and business environment during the period. Lifetime expected credit losses are calculated according to the historical loss rates and reference to customers' default records. The consolidated company categorizes customers according to the countries and regions they are located and defines the expected credit loss rates by taking into account GDP forecasts and unemployment levels and the overdue days of accounts receivable. An allowance for losses will be recognized at 100% of any receivable overdue for more than one year and without any credit guarantees.

If there is evidence indicating a counterparty is in severe financial difficulty (such as in liquidation) and the consolidated company cannot reasonably expect to recover the amount, the consolidated company will write off the relevant receivables but will continue to pursue the payments. Any recovered amount will be recognized in profit or loss.

The consolidated company uses a provision matrix to measure the allowance for losses of receivables as follows:

Dec. 31, 2022

	No sign of defaults							
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-365 days	Overdue by 365 days	Sign of defaults	Total
Total account value	$ 999,135	$ 339,761	$ 6,265	$ 2,186	$ 6,537	$ 8,535	$ 4,454	$ 1,366,873
Allowance for losses (lifetime expected credit losses)	(5,530)	(1,880)	(104)	(60)	(362)	(4,724)	(4,454)	(17,114)
Amortized cost	$ 993,605	$ 337,881	$ 6,161	$ 2,126	$ 6,175	$ 3,811	$ -	$ 1,349,759

Dec. 31, 2021

	No sign of defaults							
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-365 days	Overdue by 365 days	Sign of defaults	Total
Total account value	$ 907,193	$ 321,494	$ 40,349	$ 6,954	$ 7,937	$ 3,626	$ 6,163	$ 1,293,716
Allowance for losses (lifetime expected credit losses)	(8,528)	(3,215)	(1,210)	(348)	(794)	(3,626)	(6,163)	(23,884)
Amortized cost	$ 898,665	$ 318,279	$ 39,139	$ 6,606	$ 7,143	$ -	$ -	$ 1,269,832

Change to allowance of losses of receivables is as follows:

	2022	2021
Balance at the beginning of the year	$ 23,884	$ 15,042
Add: credit loss during the year	-	9,563
Less: reversal of impairment loss in the current year	(3,487)	-
Less: actual charge-offs made in the current year	(4,519)	(237)
Difference in foreign currency translation	1,236	(484)
Balance at the end of the year	$ 17,114	$ 23,884

X. Inventory

	Dec. 31, 2022	Dec. 31, 2021
Finished goods	$ 685,693	$ 399,595
Semi-finished goods	308,301	242,717
Work in process	48,454	27,650
Raw materials	582,001	488,086
	$ 1,624,449	$ 1,158,048

Cost of goods sold by nature:

	Dec. 31, 2022	Dec. 31, 2021
Inventory cost for sold goods	$ 5,291,660	$ 4,569,421
Loss for market price decline and obsolete inventory	27,799	4,010
	$ 5,319,459	$ 4,573,431

XI. Subsidiaries

(I) Subsidiaries in the consolidated statements

The entities covered by these consolidated financial statements are as follows:

Name of the investment company	Name of the subsidiary	Nature of the business	Shareholding percentage Dec. 31, 2022	Shareholding percentage Dec. 31, 2021	Description
The Company	TSC Auto ID (H.K.) Ltd. (TSCHK)	Investment in production businesses and general imports/exports	100%	100%	-
The Company	TSC Auto ID Technology EMEA GmbH (TSCAE)	Selling and buying of barcode printers and relevant components	100%	100%	-
The Company	TSC Auto ID Technology America Inc. (TSCAA)	Selling and buying of barcode printers and relevant components	100%	100%	-
The Company	Printronix Auto ID Technology Co., Ltd. ("Printronix Auto ID Technology")	Selling and buying of barcode printers and relevant components	100%	100%	-
The Company and TSCAA	Printronix Auto ID Technology Inc.（PTNX US）	Selling and buying of barcode printers and relevant components	-	100%	Note 1
The Company	Diversified Labeling Solutions, Inc.（DLS）	Printer consumables and customized design, integration, production and marketable of a variety of labels	100%	100%	-
The Company	TSC Auto ID Technology India Private limited (TSCIN)	Selling and buying of barcode printers and relevant components	100%	100%	Note 2
TSCHK	Tianjin TSC Auto ID Technology Co., Ltd. (Tianjin TSC Auto ID Technology)	Production and marketing of barcode printers and relevant components	100%	100%	-
TSCHK	Shenzhen Printronix Auto ID Technology Co., Ltd. (Shenzhen Printronix Auto ID Technology)	Selling and buying of barcode printers and relevant components	100%	100%	-
TSCAE	TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Selling and buying of barcode printers and relevant components	100%	100%	-
TSCAE	TSC Auto ID Technology Spain, S.L. (TSCAS)	Selling and buying of barcode printers and relevant components	100%	100%	-
DLS	Precision Press & Label, Inc. (PPL)	Selling of a variety of labels and printer consumables	100%	100%	-

Note 1: For the purpose of simplifying the group organization structure and increase operation efficiency, the Company's

Board of Directors has resolved to set the consolidated base date as Jul. 1, 2022 after the Company has sold 5% of PTNX US stock to TSCAA (please refer to Note 25 for related information), TSCAA absorbs the 100% consolidated subsidiary, PTNX US. The nature of this merger is a restructuring under common control within the group and does not affect the compilation of the consolidated financial statements.

Note 2: TSCIN was established by the Company in Sep. 2021.

(II) Subsidiaries not included in the consolidated financial statements: none.

(III) Other information: The financial statements of the abovementioned subsidiaries included in the consolidated financial statements during the same period were audited by the Company’s CPAs and other CPAs.

XII. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other equipment	Construction in progress	Total
Cost						
Balance on Jan. 1, 2021	$ 225,340	$ 384,417	$ 724,634	$ 169,597	$ 8,232	$ 1,512,220
Additions	-	533	115,976	14,356	14,322	145,187
Disposal	-	(257)	(20,190)	(5,026)	-	(25,473)
Reclassification from prepayment for equipment purchase	-	-	5,493	-	-	5,493
Reclassification from (to) construction in progress	-	-	8,087	-	(8,087)	-
Net exchange difference	-	(793)	(11,103)	(3,488)	(297)	(15,681)
Balance on Dec. 31, 2021	$ 225,340	$ 383,900	$ 822,897	$ 175,439	$ 14,170	$ 1,621,746
Accumulated depreciation						
Balance on Jan. 1, 2021	$ -	$ 108,460	$ 338,770	$ 92,236	$ -	$ 539,466
Disposal	-	(257)	(17,796)	(4,319)	-	(22,372)
Depreciation expense	-	9,400	62,497	22,573	-	94,470
Net exchange difference	-	(100)	(2,384)	(1,863)	-	(4,347)
Balance on Dec. 31, 2021	$ -	$ 117,503	$ 381,087	$ 108,627	$ -	$ 607,217
Net balance as of Dec. 31, 2021	$ 225,340	$ 266,397	$ 441,810	$ 66,812	$ 14,170	$ 1,014,529
Cost						
Balance on Jan. 1, 2022	$ 225,340	$ 383,900	$ 822,897	$ 175,439	$ 14,170	$ 1,621,746
Additions	-	-	32,225	25,005	28,473	85,703
Disposal	-	-	(15,776)	(8,919)	-	(24,695)
Reclassification from prepayment for equipment purchase	-	-	18,577	48	-	18,625
Reclassification from (to) construction in progress	-	-	11,870	3,305	(15,175)	-
Net exchange difference	-	1,539	48,064	9,482	2,030	61,115
Balance on Dec. 31, 2022	$ 225,340	$ 385,439	$ 917,857	$ 204,360	$ 29,498	$ 1,762,494
Accumulated depreciation						
Balance on Jan. 1, 2022	$ -	$ 117,503	$ 381,087	$ 108,627	$ -	$ 607,217
Disposal	-	-	(9,278)	(8,919)	-	(18,197)
Depreciation expense	-	9,546	71,702	22,531	-	103,779
Net exchange difference	-	272	11,163	4,735	-	16,170
Balance on Dec. 31, 2022	$ -	$ 127,321	$ 454,674	$ 126,974	$ -	$ 708,969
Net balance as of Dec. 31, 2022	$ 225,340	$ 258,118	$ 463,183	$ 77,386	$ 29,498	$ 1,053,525

Depreciation is recognized in a straight-line method according to following service lives:

Buildings and structures	
Offices	38-52 years
Factories and auxiliary equipment	17-37 years
Indoor decoration engineering	5 years
Machinery and molding equipment	3-10 years
Office and other equipment	1-10 years
Lease hold improvements	10 years
Transportation equipment	7 years

XIII. Lease agreements

(I) Right-of-use assets

	Dec. 31, 2022	Dec. 31, 2021
Carrying amount of right-of-use assets		
Buildings	$ 176,698	$ 239,561
Transportation equipment	4,191	4,874
	$ 180,889	$ 244,435

	2022	2021
Purchase of right-of-use assets	$ 7,560	$ 29,732
Depreciation of right-of-use assets		
Buildings	$ 85,939	$ 82,807
Transportation equipment	3,724	4,071
	$ 89,663	$ 86,878
Sublease incomes from right-of-use assets (rental incomes)	($ 10,483)	($ 10,748)

Other than the above additions and recognized depreciation expenses, there was no significant addition, sublease, or impairment of the consolidated company’s right-of-use assets of 2022 and 2021.

(II) Lease liabilities

	Dec. 31, 2022	Dec. 31, 2021
Carrying amount of lease liabilities		
Current	$ 92,735	$ 101,861
Non-current	$ 95,534	$ 172,318

The range of the discount rates for lease liabilities is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Buildings	0.25%~4.68%	0.25%~6.25%
Transportation equipment	0.25%~2.27%	0.25%~2.27%

(III) Important activities and clauses as a lessee

The consolidated company rents certain buildings as offices and factories and transportation equipment as business vehicles. The lease period is 1-6 years. According to contracts, the rents for offices and warehouses in the U.S. are increased by 3% p.a. according to contracts.

(IV) Other information on leases

	2022	2021
Short-term lease expenses	$ 1,580	$ 1,277
Low-value asset lease expenses	$ 10,812	$ 16,691
Total cash (outflow) for leases	($ 132,642)	($ 98,978)

The consolidated company chooses to exempt the recognition of office equipment leases qualified for short-term leases and low-value asset leases. In other words, no right-of-use assets or liabilities will be recognized for such leases.

XIV. Goodwill

	2022	2021
Cost		
Balance at the beginning of the year	$ 953,676	$ 981,239
Net exchange difference	104,395	(27,563)
Balance at the end of the year	$ 1,058,071	$ 953,676

Goodwill is allocated to the following cash-generating units when conducting impairment test; the book value of goodwill allocated to cash-generating units prior to recognizing impairment losses is explained below:

	Dec. 31, 2022	Dec. 31, 2021
Printer business - Printronix	$ 860,525	$ 775,621
Label business - DLS	197,546	178,055
	$ 1,058,071	$ 953,676

The recoverable amounts of the above cash-generating units were determined based on use value, which were assessed using the following key assumptions:

(I) Printer business - Printronix

Use value is estimated based on the cash flow that the management of the consolidated company has budgeted for the next 5 years; the discount rates (after tax) used in 2022 and 2021 were 10.5% and 10%, respectively.

Cash flow of the Printronix brand estimated for the budget period also involved the following main assumptions:

1. Expected operating revenues and revenue growth: the management takes into account historical sales data, past

experience producing barcode printers, forecast of the auto-identification systems industry, as well as future operating strategies and goals to estimate sales over the budget period.

2. Expected gross profit margin and operating profit margin: estimates were made based on past operating performance of the Printronix brand, while taking into consideration cost and expense improvements in the future.

(II) Label business - DLS

Use value is estimated based on the cash flow that the management of the consolidated company has budgeted for the next 5 years; the discount rates (after tax) used in 2022 and 2021 were 10.0% and 9.4%, respectively.

Cash flow of the DLS brand estimated for the budget period also involved the following main assumptions:

1. Expected operating revenues and revenue growth: the management takes into account historical sales data, demand for labels in the U.S. market, forecast of the label industry, as well as future operating goals to estimate sales over the budget period.
2. Expected gross profit margin and operating profit margin: estimates were made based on past operating performance of the DLS brand, while taking into account resource integration and efficiency improvements in the future.

Recoverable amounts for all cash-generating units mentioned above were higher than their book values, hence no impairment loss was recognized. The management is of the opinion that any reasonable change of key assumptions relating to the recoverable amount of an individual cash-generating units would not cause the book value of the cash-generating unit to exceed its recoverable amount.

XV. Other Intangible Assets

	Knowhow & technology	Customer relations	Patents	Software	Trademarks	Total
Cost						
Balance on Jan. 1, 2021	$ 143,409	$ 329,343	$ 50,607	$ 108,297	$ 135	$ 631,791
Acquisition by separate purchase	-	-	-	15,742	-	15,742
Net exchange difference	(3,680)	(9,251)	-	(589)	-	(13,520)
Balance on Dec. 31, 2021	$ 139,729	$ 320,092	$ 50,607	$ 123,450	$ 135	$ 634,013
Accumulated amortization						
Balance on Jan. 1, 2021	$ 72,060	$ 148,453	$ 31,629	$ 66,957	$ 135	$ 319,234
Amortization expenses	15,349	35,423	6,326	17,831	-	74,929
Net exchange difference	(1,945)	(4,545)	-	(351)	-	(6,841)
Balance on Dec. 31, 2021	$ 85,464	$ 179,331	$ 37,955	$ 84,437	$ 135	$ 387,322
Net balance as of Dec. 31, 2021	$ 54,265	$ 140,761	$ 12,652	$ 39,013	$ -	$ 246,691
Cost						
Balance on Jan. 1, 2022	$ 139,729	$ 320,092	$ 50,607	$ 123,450	$ 135	$ 634,013
Acquisition by separate purchase	-		-	15,152	-	15,152
Net exchange difference	13,938	35,040	-	891	-	49,869
Balance on Dec. 31, 2022	$ 153,667	$ 355,132	$ 50,607	$ 139,493	$ 135	$ 699,034
Accumulated amortization						
Balance on Jan. 1, 2022	$ 85,464	$ 179,331	$ 37,955	$ 84,437	$ 135	$ 387,322
Amortization expenses	15,909	37,526	6,326	20,645	-	80,406
Net exchange difference	8,737	20,982	-	668	-	30,387
Balance on Dec. 31, 2022	$ 110,110	$ 237,839	$ 44,281	$ 105,750	$ 135	$ 498,115
Net balance as of Dec. 31, 2022	$ 43,557	$ 117,293	$ 6,326	$ 33,743	$ -	$ 200,919

Amortization is recognized in a straight line method according to following service lives:

Licensed technology	5-10 years
Customer relations	7 years
Patents	8 years
Software cost	1-10 years
Trademarks	6 years

XVI. Short-term loans

(I) Short-term loans

	Dec. 31, 2022	Dec. 31, 2021
Unsecured loans	$ 876,515	$ 550,706
Annual interest rate (%)	1.63%～5.49%	0.46%～1.02%
Final maturity	Mar. 28, 2023	Mar. 20, 2022

(II) Long-term loans

	Dec. 31, 2022	Dec. 31, 2021
Unsecured loans	$ 620,000	$ 900,000
Less: portion due within one year	(63,000)	(65,000)
	$ 557,000	$ 835,000
Annual interest rate (%)	1.40%~1.50%	1.00%
Final maturity	Oct. 14, 2025	Jul. 22, 2024

To enhance mid-term working capital, the Company has signed loan agreements with different banks and paid interest incurred periodically. Before the expiry of contracts, short-term loans can be made within the revolving credit lines. There are no revolving credit lines for mid-term or long-term loans. The maturity dates above are based on the end dates of the loan periods.

XVII. Other Payables

	Dec. 31, 2022	Dec. 31, 2021
Current		
Salaries and bonuses payable	$ 192,743	$ 181,901
Employees' remuneration payable	65,458	42,545
Taxes payable	42,206	33,694
Directors' remuneration payable	32,729	31,909
Service fees payable	13,278	9,549
R&D expenses payable	7,913	11,991
Insurance premiums payable	9,260	8,746
Equipment amount payable	4,035	5,170
Others (Note 28)	62,699	47,626
	$ 430,321	$ 373,131

XVIII. Retirement benefit plan

(I) Defined contributions

The pension scheme introduced under the "Labor Pension Act" that the consolidated company uses is a government-managed defined contribution plan, for which the Company is required to contribute an amount equal to 6% of employees' monthly salaries into their individual pension accounts held with the Bureau of Labor Insurance.

Employees of the consolidated company's subsidiaries in Germany, the USA, and China are participants of the pension schemes offered by the local governments. These subsidiaries are required to finance pension plans by contributing a certain percentage of employees' salaries. The consolidated company's obligation with respect to government-operated pension plans is limited only to making the required contributions.

(II) Defined benefits

The consolidated company is also subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and 6-month average salary leading up to their retirement. The Company makes monthly pension contributions equivalent to 2% of employees' monthly salaries into an account held under the Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year at the end of each year, the Company will reimburse the shortfall in one contribution by no later than the end of Mar. next year. The account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

The following amounts relating to the defined benefit plan have been recognized on the consolidated balance sheet:

	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligations	$ 18,399	$ 22,831
Fair value of plan assets	(3,445)	(3,100)
Net defined benefit liability	$ 14,954	$ 19,731

Changes in net defined benefit liability:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Jan. 1, 2021	$ 25,778	($ 2,918)	$ 22,860
Service costs			
Service costs for the current year	-	-	-
Interest expense (income)	200	(22)	178
Recognized in profit or loss	200	(22)	178
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(38)	(38)
Actuarial loss - change in demographic assumption	783	-	783
Actuarial loss - change in financial assumption	167	-	167
Actuarial gain - adjustment based on past experience	(388)	-	(388)
Recognized in other comprehensive income	562	(38)	524
Employer's contribution	-	(840)	(840)
Benefits paid	(3,709)	718	(2,991)
Dec. 31, 2021	22,831	(3,100)	19,731
Service costs			
Service costs for the current year	-	-	-
Interest expense (income)	171	(24)	147
Recognized in profit or loss	171	(24)	147
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(216)	(216)
Actuarial gain - change in financial assumption	(3,739)	-	(3,739)

Actuarial gain - adjustment based on past experience	(864)	-	(864)
Recognized in other comprehensive income	(4,603)	(216)	(4,819)
Employer's contribution	-	(105)	(105)
Benefits paid	-	-	-
Dec. 31, 2022	$ 18,399	($ 3,445)	$ 14,954

The Company is exposed to the following risks due to adoption of the pension scheme introduced under the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, manages the labor pension fund either on its own or through mandate. The labor pension fund is allocated into equity securities, debt securities, and bank deposits in Taiwan and abroad; however, the Company estimates a return on plan assets at a rate no lower than the 2-year time deposit rate offered by local banks.
2. Interest rate risks: A decrease in government and corporate bond yields would increase the present value of defined benefit obligations while at the same time increase the return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risks: The present value of defined benefit obligations is calculated by taking into consideration plan participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate	2.0%	0.750%~0.875%
Expected salary increase	2.5%	2.5%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate		
0.25% increase	($ 653)	($ 914)
0.25% decrease	$ 683	$ 959
Expected salary increase		
0.25% increase	$ 670	$ 932
0.25% decrease	($ 645)	($ 893)

Actuarial assumptions tend to be intercorrelated. It is unlikely to see only one assumption changing at one time, therefore the above sensitivity analysis may not truly reflect changes in the present value of defined benefit obligations.

	Dec. 31, 2022	Dec. 31, 2021
Expected contributions within 1 year	$ 103	$ 130
Average maturity of defined benefit obligations	15.24-21.19 years	16.17-22 years

XIX. Equity

(I) Ordinary share capital

	Dec. 31, 2022	Dec. 31, 2021
Authorized shares (thousand shares)	80,000	80,000
Authorized share capital	$ 800,000	$ 800,000
Issued shares (thousand shares)	42,513	42,477
Issued share capital	$ 425,129	$ 424,769

The face value per ordinary share issued is NT$10. Each share is entitled to one voting right and one right to dividends.

(II) Capital surplus

	Dec. 31, 2022	Dec. 31, 2021
May be used to offset losses, issue cash or appropriate to share capital (1)		
Premium of share issuance	$ 423,085	$ 416,789
Difference between the actual disposal price and book value of the subsidiaries' equity (Note 25)	1,984	-
May be used to offset losses only		
Lapsed stock options	122,907	122,840
Exercised employee stock options	22,210	20,556
May not be used for any purposes (2)		
Employee stock options	45,659	32,667
	$ 615,845	$ 592,852

1. This type of capital surplus may be used to offset losses or to issue cash dividends or appropriate share capital in the absence of losses. Share capital appropriation is limited to a certain percentage of paid-in capital each year.
2. Capital surplus generated due to the issuance of employee stock options may not be used for any purposes.

(III) Retained earnings and dividend policy

According to the earnings distribution policy stated in the Company's Articles of Incorporation, any earnings for the year should be used to pay taxes according to laws, offset losses from prior years and then appropriate 10% as legal reserves and recognize or reverse any special reserves required by laws. The remaining balance, along with accumulative and undistributed earnings from the previous year, may be used for earnings distribution. However, a portion may be reserved for business needs before the issuance of dividends to shareholders. The Company is in a growth stage. To fund the future operation and development, the Board of Directors proposes the earnings distribution and the issuance of dividends to shareholders is proceeded after resolution from the shareholders' meeting. The Company's policy regarding employees' remuneration and directors' remuneration is stated in the Articles of Incorporation. Please refer to Note 21 (7) for employees’ remuneration and directors’ remuneration.

According to the Company’s Articles of Incorporation, the percentage of earnings to be distributed according to the resolution, in principle, may not fall below 10% of the distributable earnings for the year. Dividends may be issued in cash or with shares. The percentage of dividends distributed in cash may not fall below 10% of the total dividends. However, stock dividends will be issued in lieu of cash dividends below NT$0.2 per share.

Appropriation to the legal reserve shall continue and may stop when the legal reserve reaches the same amount as the paid-in capital. The legal reserve may be used to offset losses. If the legal reserve exceeds 25% of the paid-in capital and there are no losses, the exceeding portion may be distributed in cash.

Appropriation of 2021 and 2020 earnings, as shown below, were resolved in the Company’s shareholder meetings:

	Earnings distribution		Dividend per share (NT$)	
	2021	2020	2021	2020
Legal reserve	$ 78,396	$ 71,715		
Cash dividends	467,246	424,769	$ 11	$ 10
	$ 545,642	$ 496,484		

Details of the 2022 earnings appropriation plan and dividends per share proposed by the board of directors in the meeting dated Mar. 15, 2023, are as follows:

	Earnings distribution	Dividend per share (NT$)
Legal reserve	$ 96,973	
Stock dividends	42,522	$ 1
Cash dividends	552,785	$ 13
	$ 692,280	

The above earnings distribution proposal is still pending for shareholder meeting resolution in Jun. 2023.

(IV) Other equity

1. Exchange differences on translation of financial statements of foreign operations

	2022	2021
Balance at the beginning of the year	($ 294,269)	($ 233,777)
Incurred in the current year		
Exchange differences on translation of financial statements of foreign operations	248,899	(75,615)
Relevant income taxes	(48,006)	15,123
Disposal of foreign subsidiaries' equity (Note 25)	(8,871)	-
Balance at the end of the year	($ 102,247)	($ 294,269)

2. Unrealized gain (loss) of financial assets measured at fair value through other comprehensive incomes

	2022	2021
Balance at the beginning of the year	$ 647,451	$ 424,411
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive incomes	(55,335)	223,040
Balance at the end of the year	$ 592,116	$ 647,451

XX. Income

	2022	2021
Revenue from contracts with customers		
Barcode printers	$ 4,447,035	$ 3,985,079
Labels and printer consumables	2,981,908	2,353,605
Barcode printer components and others	537,975	510,124
	$ 7,966,918	$ 6,848,808

(I) Explanations of revenue from contracts with customers

In addition to the following explanations, please also refer to the explanations provided in (XIII) of Note IV - Summary of Material Accounting Policies.

The consolidated company primarily sells barcode printers and relevant components to China, Taiwan, other parts of Asia, Europe and the Americas.

According to the consolidated company's agreement with distributors, if the purchase of certain models by distributors reaches the contracted volume, the consolidated company will provide incentives at a percentage of the procurement value or retrospective unit price reductions for certain models. Based on past experiences and considering various agreement terms and conditions, the consolidated company estimates the possible rewards and incentives amount and recognizes refund liabilities (as other current liabilities) accordingly. As of Dec. 31, 2022 and 2021, the consolidated company estimates the refund liabilities to be NT$91,058 thousand and NT$74,806 thousand, respectively.

(II) Breakdown of revenue from contracts with customers

See Note 32 for a breakdown of income.

XXI. Additional information about net income during the year

Net income during the year includes the following:

(I) Interest income

	2022	2021
Bank deposits	$ 3,330	$ 4,390
Bills sold under repurchase agreements	752	-
	$ 4,082	$ 4,390

(II) Other incomes

	2022	2021
Dividend income	$ 37,000	$ 20,400
Rental incomes (Note 13)	10,483	10,748
Others	19,626	9,535
	$ 67,109	$ 40,683

(III) Other gains and losses

	2022	2021
Net exchange gain	$ 103,076	$ 6,578
Financial instruments measured at fair value through profit or loss	(49,450)	10,693
Loss from disposal of property, plant and equipment	(4,467)	(2,158)
Gain on lease amendment	621	-
Other losses	(2,862)	(1,948)
	$ 46,918	$ 13,165

(IV) Financial cost

	2022	2021
Bank loan interests	$ 19,423	$ 14,127
Lease liability interests	9,093	11,438
	$ 28,516	$ 25,565

(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 103,779	$ 94,470
Right-of-use assets	89,663	86,878
Intangible assets	80,406	74,929
	$ 273,848	$ 256,277
Deprecation by function		
Operating costs	$ 136,968	$ 123,872
Operating expenses	56,474	57,476
	$ 193,442	$ 181,348
Amortization by function		
Operating costs	$ 815	$ 560
Operating expenses	79,591	74,369
	$ 80,406	$ 74,929

(VI) Employee benefit expenses

	2022	2021
Shor-term employee benefits	$ 1,447,663	$ 1,268,838
Retirement benefits		
Defined contributions	48,571	39,509
Defined benefits (Note 18)	147	178
Share-based payment (Note 24)		
Equity settled	14,713	15,187
Other employee benefits	56,696	49,870
Total employee benefit expenses	$ 1,567,790	$ 1,373,582
Summary by function		
Operating costs	$ 660,069	$ 566,798
Operating expenses	907,721	806,784
	$ 1,567,790	$ 1,373,582

(VII) Employees' remuneration and directors' remuneration

In case of profits during the year, the Company shall allocate at least 2% but no more than 10% of the profits as employees' remuneration. The employees' remuneration is issued in cash or wish shares according to the decision by the Board of Directors. Eligible employees include the employees working for controlled or subordinated companies and meeting certain criteria defined by the Board of Directors. The Company may allocate up to 5% of the abovementioned profits as directors' remunerations according to the decision by the Board of Directors. The proposal for distribution of employees' remuneration and directors' remuneration should be reported to the shareholders' meeting. In case of accumulated losses, profits should be used to offset the losses before distributing the aforesaid percentage as employees' remuneration and directors' remuneration. Employees' remuneration and directors' remuneration estimated for 2022 and 2021:

Estimated and recognized percentage

	2022	2021
Employees' remuneration	5.0%	4.0%
Directors' remuneration	2.5%	3.0%

Amount

	2022	2021
Employees' remuneration	$ 65,458	$ 42,545
Directors' remuneration	32,729	31,909
	$ 98,187	$ 74,454
Amounts recognized in consolidated financial statements	$ 98,187	$ 74,454

In case of changes in the amounts after the approval and publication of annual consolidated financial statements, the difference shall be treated as changes in accounting estimates and recognized during the following year.

The information about the Company's employees' remuneration and directors' remuneration as determined by the Board of Directors is available on Taiwan Stock Exchange's Market Observation Post System.

(VIII) Gain/loss on foreign currency exchange

	2022	2021
Total exchange gain	$ 234,012	$ 105,650
Total exchange loss	(130,936)	(99,072)
Net income	$ 103,076	$ 6,578

XXII. Income taxes

(I) Income taxes recognized in profit and loss

The primary components of income tax expenses are as follows:

	2022	2021
Income tax during the period		
Incurred during the period	$ 275,803	$ 230,396
Tax on undistributed earnings	11,916	11,068
Adjustment for the previous year	12,813	(9,135)
	300,532	232,329
Deferred income tax		
Incurred during the period	81,953	66,088
Income tax expenses recognized in profit and loss	$ 382,485	$ 298,417

Reconciliation of accounting income and income tax expense:

	2022	2021
Profits before tax	$ 1,347,394	$ 1,082,903
Income tax derived by applying the statutory tax rate to pre-tax profit	$ 300,226	$ 262,236
Increase (decrease) from required adjustments	(557)	15,799
Effect of deferred income tax on overseas subsidiaries' earnings	67,876	26,685
Tax on undistributed earnings	11,916	11,068
Unrecognized loss carryforwards and deductible temporary difference	(9,789)	293
Tax credit for income source from Mainland China	-	(8,529)
Previous income taxes adjusted in the current year	12,813	(9,135)
Income tax expenses recognized in profit and loss	$ 382,485	$ 298,417

The income tax rate is 20% for profit-seeking enterprises and the tax rate on undistributed earnings is 5% in Taiwan. The subsidiaries in China, Tianjin TSC Auto ID Technology, is subject to a 25% tax rate, Shenzhen TSC Auto ID Technology meets the criteria for small and micro enterprises, the 2.5% tax is applicable; in the U.S. to a 26%-28% tax rate and in Germany about 30%. The tax rates in other jurisdictions are based on the local tax rates applicable.

Given the uncertainty involved in the earnings appropriation in the 2022 annual general meeting, the consequences of the 5% additional income tax on undistributed 2021 earnings cannot be determined reliably.

(II) Income tax directly recognized in equity

	2022	2021
Income tax during the period		
Disposal of subsidiary	$ 1,984	$ -

(III) Income tax recognized under other comprehensive income

	2022	2021
Deferred income tax		
Incurred in the current year		
Income tax (expense) benefit on translation differences from foreign operations	($ 48,006)	$ 15,123

(IV) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2022

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Deferred income tax assets					
Temporary difference					
Unrealized gross profit from associated companies	$ 38,801	$ 18,060	$ -	$ -	$ 56,861
Exchange differences from foreign operations	71,276	-	(48,006)	-	23,270
Leave encashment payable	7,545	(2,020)	-	581	6,106
Allowance for inventory devaluation	6,922	(3,010)	-	557	4,469
Merger and acquisition costs	5,586	(495)	-	593	5,684
Loss carryforwards	16,641	(10,717)	-	1,436	7,360
Others	21,550	10,629	-	1,968	34,147
Investment credit	248,655	(25,291)	-	26,308	249,672
	$ 416,976	($ 12,844)	($ 48,006)	$ 31,443	$ 387,569
Deferred income tax liabilities					
Temporary difference					
Investment gains recognized using the equity method	$ 193,310	$ 67,876	$ -	$ -	$ 261,186
Difference between book value and taxation basis of intangible assets acquired through business combination	19,544	(11,347)	-	1,722	9,919
Difference in useful lives of plant and equipment	80,074	8,194	-	9,060	97,328
Others	9,647	4,386	-	1,024	15,057
	$ 302,575	$ 69,109	$ -	$ 11,806	$ 383,490

2021

Deferred income tax assets	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Temporary difference					
Unrealized gross profit from associated companies	$ 41,026	($ 2,225)	$ -	$ -	$ 38,801
Exchange differences from foreign operations	56,153	-	15,123	-	71,276
Leave encashment payable	7,126	586	-	(167)	7,545
Allowance for inventory devaluation	5,217	1,818	-	(113)	6,922
Merger and acquisition costs	6,113	(360)	-	(167)	5,586
Loss carryforwards	35,213	(17,771)	-	(801)	16,641
Others	20,773	1,259	-	(482)	21,550
Investment credit	270,648	(14,545)	-	(7,448)	248,655
	$ 442,269	($ 31,238)	$ 15,123	($ 9,178)	$ 416,976

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Balance at the end of the year
Temporary difference					
Investment gains recognized using the equity method	$ 166,625	$ 26,685	$ -	$ -	$ 193,310
Difference between book value and taxation basis of intangible assets acquired through business combination	30,190	(9,902)	-	(744)	19,544
Difference in useful lives of plant and equipment	67,841	14,290	-	(2,057)	80,074
Others	6,075	3,777	-	(205)	9,647
	$ 270,731	$ 34,850	$ -	($ 3,006)	$ 302,575

(IV) Information on amounts not recognized as deferred income tax asset in the consolidated balance sheet

As of Dec. 31, 2022 and 2021, the consolidated company had NT$16,271 thousand and NT$15,709 thousand of deductible temporary differences, respectively, that were not recognized as deferred income tax assets.

As of Dec. 31, 2022, the consolidated company had NT$61,850 thousand of unused investment credit that was not recognized as deferred income tax asset.

(V) Details of unused investment credit and loss carryforwards

Investment credit of U.S. subsidiary PTNX US as of Dec. 31, 2022:

Deduction items	Deductionable balance	Deductionable due
Research and development expenses		
Federal	$ 62,083	2036
State tax	249,439	No restriction
	$ 311,522	

Loss carryforwards for U.S. subsidiary DLS as of Dec. 31, 2022:

Jurisdiction	Outstanding balance	Losses carried forward due
Illinois	$ 77,474	2031

(VI) Income tax assessment

The business income tax filings from the Company and the Company's subsidiaries in Taiwan as profit-seeking enterprises up to 2020 have been assessed by the tax authorities.

XXIII. Earnings per Share

	2022	2021
Basic earnings per share	$ 22.71	$ 18.47
Diluted earnings per share	$ 22.45	$ 18.32

The earnings and the weighted average number of ordinary shares for the calculation of earnings per share are as follows:

Net income for the period

	2022	2021
Net income attributable to the shareholders of the Company	$ 964,909	$ 784,486
Net income used for the calculation of diluted earnings per share	$ 964,909	$ 784,486

No. of shares

Unit: thousand shares

	2022	2021
Weighted average number of ordinary shares used for the calculation of earnings per share	42,492	42,477
Effects of dilutive potential ordinary shares:		
Employee stock options	107	101
Employees' remuneration	390	252
Average weighted number of ordinary shares used for the calculation of dilutive earnings per share	42,989	42,830

The consolidated company can opt to issue employees' remuneration with shares or in cash. The calculation of diluted earnings per share should assume the remuneration is paid with shares. The dilute potential ordinary shares should be included in the weighted average number of shares outstanding for the calculation of diluted earnings per share. The calculation of diluted earnings per share before the decision on the issuance of shares as employees' remuneration in the following year should also take into account the effects of dilutive ordinary shares.

XXIV. Shares-based Payment Agreement

The Company granted 57 employee stock options in Apr. 2021. Each option can subscribe to 1,000 ordinary shares. These options were issued to the employees working for the Company and the subsidies and meeting certain criteria. The time to maturity of these options is five years. The exercisable percentages in different years are as follows:

(I) Up to 50% on the day following two years in issuance.

(II) Up to 75% on the day following three years in issuance.

(III) Up to 100% on the day following four years in issuance.

The exercise price is the closing price of the Company's ordinary shares on the day of issuance. The exercise price shall be adjusted according to the formula in case of change in the Company's ordinary shares.

The information on employee stock options is as follows:

Employee stock options	2022 Unit	2022 Weighted average exercise price (NT$)	2021 Unit	2021 Weighted average exercise price (NT$)
Outstanding at the beginning of the period	945	$ 170.8-208.1	1,742	$ 178.5-211.6
Granted during the period	-	-	57	217.5
Exercised during the period	(42)	159.9	-	-
Given up due to departure	(7.5)	-	(45)	-
Expired during the period	-	-	(809)	-
Outstanding at the end of the period	895.5	159.9-194.8	945	170.8-208.1
Exercisable at the end of the period	412	-	-	-
Weighted average fair value of the granted stock options during the period (NT$)	$ -		$ 52.46	
Weighted average time to maturity (years)	2.5~3.27		3.5~4.27	

As of the balance sheet date, the information of the employee stock options outstanding is as follows:

Range of exercise prices (NT$)	Employee stock options outstanding: No. of units	Employee stock options outstanding: Weighted average time to maturity (years)
Dec. 31, 2022		
$ 159.9	868.5	2.5
$ 194.8	27	3.27
Dec. 31, 2021		
$ 170.8	918	3.5
$ 208.1	27	4.27

The valuation of the employee stock options granted in Apr. 2021 is based on the Black-Scholes model, with the inputs as follows:

	Apr. 2021
Share price on granted day	NT$217.5
Exercise price	NT$217.5
Expected volatility	29.98%~31.14%
Time to maturity	3.5-4.5 years
Expected dividend yield	0%
Risk-free rate	0.26%~0.30%

The expected volatility is the annualized standard deviation of the historical returns over the time period equivalent to time to maturity.

Cost of remuneration recognized for 2022 and 2021 amounted to NT$14,713 thousand and NT$15,187 thousand, respectively.

XXV. Disposal of subsidiaries under the restructuring

The Company signed a share purchase agreement with its subsidiary TSCAA on Jul. 1, 2022 to sell 5% of the Company's shares in PTNX US. This transaction is considered an organizational restructuring under common control and is treated as an equity transaction.

(I) Consideration received

	PTNX US
Total consideration received	$ 48,219

(II) Analysis of assets and liabilities for loss of control

	PTNX US
Current assets	
Cash and Cash Equivalents	$ 2,010
Accounts receivable, net	4,192
Accounts receivable – affiliated parties, net	1,012
Other receivables – affiliated parties	2,354
Inventory	2,516
Prepayments	1,056
Other current assets	10
Non-current assets	
Property, plant and equipment	48
Intangible assets	18
Goodwill	27,738
Customer relations	277
Knowhow & technology	842
Deferred income tax assets	13,676
Current liabilities	
Accounts payable	(2,643)
Other payables	(931)
Income tax liability during the period	(234)
Liability reserve	(23)
Other current liabilities	(90)
Non-current liabilities	

Deferred income tax liabilities	(814)
Other non-current liabilities	(1,744)
Disposal of net assets	$ 49,270

(III) Equity transaction differences

	PTNX US
Consideration received	$ 48,219
Disposal of net assets	(49,270)
Adjustments to exchange differences on translation of financial statements of foreign operations (Note 19)	(8,871)
Equity transaction differences (recognized as capital surplus reduction)	($ 9,922)

TSCAA recognizes the book value of PTNX US held by the parent company under the equity method as of Jul. 1, 2022, as the accounting basis for the acquisition. The excess of the acquisition price over the carrying value of PTNX US's net assets was adjusted to capital surplus of NT$9,922 thousand. Except for the income tax recognized directly in equity, the above transaction did not affect the preparation of the financial statements of the Group.

XXVI. Capital Risk Management

The policy adopted by the Board of Directors seeks to sustain a robust capital structure, maintain the confidence from investors, creditors and the market and support the operational development going forward. The capital management of the consolidated company intends to protect the going concern capability, continue to create shareholder returns and other stakeholders' interest, maintain the optimal capital structure and reduce the cost of capital.

To maintain or adjust the capital structure, the consolidated company may adjust shareholders' dividends, reduce capital by returning funds to shareholders, issue new shares, repurchase shares, raise new debts or repay existing debts.

The consolidated company controls and manages capital structure with the liability ratio. This ratio is calculated with total liabilities divided by total assets. The consolidated company's capital management seeks to maintain a liability ratio of no more than 60% to ensure funding at a reasonable cost. The liability ratios for different time periods are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Total liabilities	$ 3,544,044	$ 3,581,948
Total equity	$ 4,750,725	$ 4,088,143
Total assets	$ 8,294,769	$ 7,670,091
Liability ratio	42.73%	46.70%

XXVII. Financial Instruments

(I) Fair value – recurring fair value measurement of financial instruments

1. Fair value hierarchy

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivatives	$ -	$ 1,798	$ -	$ 1,798
Financial assets measured at fair value through other comprehensive incomes				
Marketable securities listed on TPEx				
-Equity investment	$ 1,098,160	$ -	$ -	$ 1,098,160
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 1,984	$ -	$ 1,984

Dec. 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivatives	$ -	$ 3,061	$ -	$ 3,061
Financial assets measured at fair value through other comprehensive incomes				
Marketable securities listed on TPEx				
-Equity investment	$ 1,068,960	$ -	$ -	$ 1,068,960
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 443	$ -	$ 443

There was no transfer between Level 1 and Level 2 fair values in 2022 and 2021.

2. Level 2 fair values – valuation techniques and input values

Types of financial instruments	Valuation techniques and input values
Derivatives – currency forwards and currency swaps	Discounted cash flows: Future cash flows are estimated based on observable forward exchange rates and contract rates at the end of the period and discounted with a rate reflective of credit risks of counterparties.

(II) Types of financial instruments

	Dec. 31, 2022	Dec. 31, 2021
Financial Assets		
Measured at fair value through profit or loss		
Designated at fair value through profit or loss	$ 1,798	$ 3,061
Measured at amortized cost (Note 1)	2,543,505	2,497,366
Equity instrument investments measured at fair value through other comprehensive income	1,098,160	1,068,960
Financial Liabilities		
Measured at fair value through profit or loss		
Held for trading	1,984	443
Measured at amortized cost (Note 2)	2,334,395	2,325,727

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, notes receivable, accounts receivable and other receivables.

Note 2: The balance includes financial liabilities measured at amortized costs such as short-term loans, accounts payable, other payables and long-term loans.

(III) Financial risk management objectives and policy

The financial risk management by the consolidated company is to manage the market risks (including exchange rate risks, interest rate risks and other price risks), credit risks and liquidity risks associated with operational activities. To reduce relevant financial risks, the consolidated company strives to identify, assess and hedge market uncertainty to mitigate the potential and adverse impact of market changes on the financial performance.

The consolidated company's important financing activities are reviewed by the Board of Directors and Audit Committee according to relevant regulations and the internal control system.

1. Market risks

The primary financial risks that the consolidated company is exposed to due to operating activities are foreign exchange rate risks (Note 1) and interest rate risks (Note 2). The company engages in certain derivatives transactions to manage the foreign exchange risks and interest rate risks. Currency forwards are the main instrument to hedge exchange rate risks incurred by exporting barcode printers to Europe and Americas.

There has been no change in the consolidated company's risk exposure in the financial instrument market and methods to manage and measure such exposure.

(1) Exchange rate risks

The consolidated company manages exchange rate risks by using currency forwards and currency swaps within the range allowed by policy.

Please refer to Note 30 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items cancelled out in the consolidated financial statements) on the balance sheet date.

Sensitivity Analysis

The consolidated company is primarily subject to the exchange rate volatility of the US dollars, the Euro, Chinese yuan, and Japanese yen.

The table below details the consolidated company's sensitivity analysis of the impact when the NT dollars (functional currency) appreciates and depreciates by 3% again different foreign currencies. Positive numbers in the table below indicate the amount increased in profits before tax, with the NT dollars depreciating by 3% against different currencies. Negative numbers indicate the amount decreased in profits before tax, with the NT dollars appreciating by 3% against different currencies.

	Gains and losses	
	2022	2021
USD	$ 22,020 (i)	$ 21,131 (i)
Euro	4,281 (ii)	5,802 (ii)
CNY	1,912 (iii)	(571) (iii)
JPY	(1,500) (iv)	(1,241) (iv)

(i) This is primarily due to the Company's accounts receivable, bank deposits, short-term loans, and accounts payable denominated in the US dollars and outstanding on the balance sheet date, without hedged cash flows.

(ii) This is primarily due to the consolidated company's accounts receivable, bank deposits, and short-term loans denominated in Euro and outstanding on the balance sheet date, without hedged cash flows.

(iii) This is primarily due to the consolidated company's accounts receivable, accounts payable and bank deposits denominated in Chinese yuan and outstanding on the balance sheet date, without hedged cash flows.

(iv) This is primarily due to the consolidated company's accounts payable and bank deposits denominated in Japanese yen and outstanding on the balance sheet date, without cash flows hedged.

(2) Interest rate risks

The carrying amounts of the consolidated company's financial assets and financial liabilities exposed to interest rate risks on the balance sheet date are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Fair value interest rate risks		
- Financial assets	$ 676,360	$ 336,810

- Financial liabilities	1,064,784	824,885
Cash flow interest rate risks		
- Financial assets	341,228	766,218
- Financial liabilities	620,000	900,000

The consolidated company is exposed to fair value interest rate risks due to its position of fixed-rate fixed-term bank deposits, bills sold under repurchase agreements, bank loans, and lease liabilities. The consolidated company is exposed to cash flow interest rate risks due to its position of floating-rate demand bank deposits, fixed-term bank deposits and bank loans.

Sensitivity Analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivatives on the balance sheet date. It is assumed that all the floating rate liabilities on the balance sheet date are outstanding throughout the reporting period.

If the interest rate increases/decreases by 100 basis points and all other variables are unchanged, the consolidated company's profits before tax will increase/decrease by NT$2,788 thousand and decrease/increase by NT$1,338 thousand in 2022 and 2021, respectively, primarily due to floating-rate bank deposits and bank loans.

Sensitivity to interest of the current year increases for the consolidated company. The major reason is due to the growth of the financial liabilities with variable interest rate exceeding the financial assets.

(3) Other price risks

The consolidated company is exposed to equity price risks due to its position of TPEx-listed equity securities. The equity investments are not held for trading but for strategic purposes. The consolidated company does not actively trade such investments.

Sensitivity Analysis

The sensitivity analysis below is based on the equity price exposure on the balance sheet date.

If the equity price goes up/down by 1%, the other comprehensive incomes net of tax will increase/decrease by NT$10,982 thousand and by NT$10,690 thousand in 2022 and 2021, due to change in the fair value of financial assets measured at fair value through other comprehensive incomes.

The consolidated company's rising sensitivity to price risks during this period is primarily due to an increase in the fair value of investees.

2. Credit risks

Credit risks are the consolidated company's risks of financial losses due to the counterparties' delay in honoring contractual obligations. The consolidated company's credit risks primarily come from the cash generated from operating activities, bank deposits, accounts receivable and other financial instruments in investing activities.

Financial credit risks

The consolidated company controls the risk exposure to every financial institution. Bank deposits are with financial institutions of good credits and without major contract performance concerns. Therefore, there are no material credit risks.

Credit risks associated with operations

To reduce credit risks, the consolidated company establishes a credit policy for continued assessment of customers' financial statuses and transaction records. However, no security or guarantee from customers is required. To mitigate credit risks, the consolidated company's management implements other monitoring procedures to ensure the adoption of appropriate actions for the recovery of overdue receivables. Meanwhile, the consolidated company reviews the recoverable amount of each receivable on the balance sheet date to recognize appropriate credit loss for the unrecoverable receivables. Hence, the consolidated company's management does not think there are major credit risks for the consolidated company.

The top ten customers accounted for 33% and 34% of the consolidated company's operating incomes in 2022 and 2021. To lower the credit risks, the consolidated company periodically assesses the financial statuses of customers and the recoverability of accounts receivable and recognizes appropriate allowance for losses accordingly.

3. Liquidity risks

The consolidated company manages and maintains sufficient cash and cash equivalents to support operations and mitigate the impact of cash flow volatility. To control liquidity risks, the consolidated company's management keeps a close eye on the utilization of credit lines with banks to ensure adherence to the borrowing terms and conditions. The consolidated company's current capital is adequate to meet the due liabilities. It is unlikely that the consolidated company is unable to repay financial liabilities or honor relevant obligations in cash or with other financial assets. Please refer to (3) Credit Facilities for the available credit lines as of Dec. 31, 2022 and Dec. 31, 2021, respectively.

(1) Table of Liquidity and Interest Rate Risks of Non-Derivative Financial Liabilities

The table below details the maturities of the consolidated company's non-derivative financial liabilities with repayment periods agreed. The analysis is based on the earliest possible repayment dates required and undiscounted cash flows of financial liabilities (including principals and estimated interests). In other words, the earliest and immediate repayment dates required by banks for loans are listed below, without considering the probabilities of banks immediately exercising such rights. The maturity analysis for other non-derivative financial liabilities is produced in reference to the agreed repayment dates.

Dec. 31, 2022

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 837,880	$ -	$ -	$ -
Lease liabilities	35,165	65,934	95,727	-
Floating interest rate instruments	480	63,000	557,000	-
Fixed interest rate instruments	878,229	-	-	-
	$ 1,751,754	$ 128,934	$ 652,727	$ -

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	$ 101,099	$ 95,727	$ -

Dec. 31, 2021

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 875,021	$ -	$ -	$ -
Lease liabilities	16,776	93,651	174,625	-
Floating interest rate instruments	229	65,000	835,000	-
Fixed interest rate instruments	551,063	-	-	-
	$ 1,443,089	$ 158,651	$ 1,009,625	$ -

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	$ 110,427	$ 174,625	$ -

(2) Table of Liquidity and Interest Rate Risks of Derivative Financial Liabilities

The liquidity analysis of derivative financial instruments based on net settlements is produced with the undiscounted and contracted net cash inflows and outflows. The analysis on the derivatives based on gross settlements is produced with the undiscounted total cash inflows and outflows. If the payable or receivable amount is not fixed, the amount disclosed is estimated with the expected interest rate in reference to the yield curve on the balance sheet date. Dec. 31, 2022

	Within 1 year	1-2 years	2-5 years	Over 5 years
Gross settlements				
Currency forwards				
- Inflows	$ 60,718	$ -	$ -	$ -
- Outflows	(61,420)	-	-	-
	(702)	-	-	-
Currency swaps				
- Inflows	50,427	-	-	-
- Outflows	(52,207)	-	-	-
	(1,780)	-	-	-
	($ 2,482)	$ -	$ -	$ -

Dec. 31, 2021

	Within 1 year	1-2 years	2-5 years	Over 5 years
Gross settlements				
Currency forwards				
- Inflows	$ 86,668	$ -	$ -	$ -
- Outflows	(86,680)	-	-	-
	(12)	-	-	-
Currency swaps				
- Inflows	83,040	-	-	-
- Outflows	(83,394)	-	-	-
	(354)	-	-	-
	($ 366)	$ -	$ -	$ -

(3) Credit facilities

	Dec. 31, 2022	Dec. 31, 2021
Unsecured credit facilities with banks (reviewed annually)		
- Utilized amount	$ 1,496,515	$ 1,450,706
- Available amount	2,328,780	2,892,583
	$ 3,825,295	$ 4,343,289

XXVIII. Transactions with Affiliated Parties

The Company's ultimate controller is Taiwan Semiconductor Manufacturing Co., Ltd., which owned 36.35% and 36.38% of the Company's ordinary shares as of Dec. 31, 2022 and Dec. 31, 2021, respectively.

All the transactions, account balances, incomes and gains, expenses and losses among the Company and its subsidiaries (i.e., the Company's affiliated parties) have been canceled out in the preparation of the consolidated financial statements and hence not disclosed in these notes. Except those disclosed in other notes, the transactions between the consolidated company and other affiliated parties are as follows:

(I) Names of and relations with the affiliated parties

Name of the affiliated party	Relation with the consolidated company
Taiwan Semiconductor Co., Ltd. (Taiwan Semiconductor)	The Company's parent
Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell)	Affiliated company
Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Affiliated company
TSC America, Inc. (TSCA)	Affiliated company
Taiwan Semiconductor Europe GmbH (TSCE)	Affiliated company

(II) Operating incomes

Itemized account	Affiliated party category	2022	2021
Revenues	Parent company	$ 8	$ 8
	Affiliated company	45	81
		$ 53	$ 89

(III) Purchase

Affiliated party category	2022	2021
Parent company	$ 1,827	$ 2,488

The consolidated company's 120-day payment terms with the abovementioned affiliated parties are not significantly different from the terms with other suppliers.

(IV) Receivables from affiliated parties (excluding loans to affiliated parties)

Itemized account	Affiliated party category	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable – affiliated parties	Affiliated company	$ 48	$ 15
Other receivables – affiliated parties	Affiliated company	$ 1,736	$ 623

No guarantee was obtained for the outstanding receivables from affiliated parties. No allowance for losses was recognized for receivables from affiliated parties in 2022 and 2021.

(V) Payables to affiliated parties

Itemized account	Affiliated party category	Dec. 31, 2022	Dec. 31, 2021
Accounts payable – affiliated parties	Parent company	$ 101	$ 1,005
Other payables – affiliated parties	Parent company	$ 94	$ 105
	Affiliated company	1,520	1,370
		$ 1,614	$ 1,475

No guarantee was provided for the outstanding payables to affiliated parties.

(VI) Management's remuneration

	2022	2021
Shor-term employee benefits	$ 125,798	$ 92,708
Retirement benefits	294	302
Shares-based payment	5,079	5,149
	$ 131,171	$ 98,159

Remuneration Committee determines the remuneration to directors and other key members of management in accordance with individual performances and market trends.

XXIX. Major Events After the Reporting Period

With the aim to enhance brand competitiveness of the consolidated company and to expand the labeling market business in Europe, the Company's Board of Directors resolved for the acquisition of the Poland company, MGN sp. z o.o. on Mar. 15, 2023 (its principal business is in labeling manufacturing and sales, hereinafter referred to as MGN) for 100% ownership through a newly-established subsidiary in Poland, Mosfortico Investments sp. z o.o. (invested for establishment in Feb. 2023, hereinafter referred to as Mosfortico Investments). The share acquisition consideration is temporarily set at Poland's currency PLN 54,000 thousand (translate to NT$374,065 thousand) or in Euros of an equivalent amount, except for the total transaction amount which may still be adjusted based on the contingent consideration related to MGN's profitability conditions in the coming three years after delivery and other situations as stated in the contract.

In order to attend to the abovementioned funds for share acquisition consideration and future capital expenses requirements, the Company's Board of Directors resolved to increase capital for Mosfortico Investments on Mar. 15, 2023 at EUR 15,000 thousand (translate to NT$491,100 thousand). The Chairman was given the authorization to execute the capital injection in batches within one year based on the actual funds requirement.

XXX. The assets and liabilities denominated in foreign currencies and with significant influence

The following information is expressed with the foreign currencies other than the functional currencies of individual entities of the consolidated company. The disclosed exchange rates are the rates to convert foreign currencies to functional currencies. The assets and liabilities denominated in foreign currencies and with significant influence are as follows:

(Unit: thousand in NT dollars and foreign currencies)

Dec. 31, 2022

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
Monetary items			
USD	$ 35,519	30.710 (USD: NTD)	$ 1,090,788
Euro	19,646	32.720 (EUR: NTD)	642,817
CNY	50,337	4.408 (CNY: NTD)	221,885
JPY	22,226	0.232 (JPY: NTD)	5,156
			$ 1,960,646
Liabilities denominated in foreign currencies			
Monetary items			
USD	11,618	30.710 (USD: NTD)	$ 356,789
Euro	15,285	32.720 (EUR: NTD)	500,125
CNY	35,880	4.408 (CNY: NTD)	158,159
JPY	237,678	0.232 (JPY: NTD)	55,141
			$ 1,070,214

Dec. 31, 2021

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
Monetary items			
USD	$ 39,965	27.680 (USD: NTD)	$ 1,106,231
Euro	14,125	31.320 (EUR: NTD)	442,395
CNY	60,110	4.344 (CNY: NTD)	261,118
JPY	5,355	0.240 (JPY: NTD)	1,285
			$ 1,811,029
Liabilities denominated in foreign currencies			
Monetary items			
USD	14,518	27.680 (USD: NTD)	$ 401,858
Euro	7,950	31.320 (EUR: NTD)	248,994
CNY	64,489	4.344 (CNY: NTD)	280,140
JPY	177,679	0.240 (JPY: NTD)	42,643
			$ 973,635

The exchange gain or loss (unrealized) with significant influence is as follows:

	2022		2021	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	30.71 (USD: NTD)	$ 15,618	27.68 (USD: NTD)	($ 5,949)
Euro	32.72 (EUR: NTD)	30,333	31.32 (EUR: NTD)	(4,418)
JPY	0.2324 (JPY: NTD)	(2,607)	0.2405 (JPY: NTD)	1,390
CNY	4.408 (CNY: NTD)	1,325	4.344 (CNY: NTD)	3,510
		$ 44,669		($ 5,467)

XXXI. Supplement Disclosure

(I) Information on significant transactions:

1. Loans to others: Table 1
2. Endorsements and guarantees for others: Table 2
3. Position of marketable securities at the end of the period (excluding subsidiaries): Table 3

4. Cumulative purchase or sale of the same marketable security for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
5. Acquisition of real estates for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
6. Disposal of real estimates for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
7. Purchase from and sale to affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital: Table 4
8. Receivables from affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital: Table 5
9. Transaction of derivatives: Note 7
10. Other information: business relations and significant transactions (circumstances and amounts) between the parent company and subsidiaries and among subsidiaries: Table 6

(II) Information on investees: Table 7

(III) Information on investments in China:

1. Names of investees in China, major businesses, paid-in capitals, investment methods, inward and outward remittances, shareholding percentages, investment gains (losses), carrying amounts of investments at the end of the period, repatriated investment gains (losses) and ceiling on investments in China: Table 8
2. Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions: Table 9
   (1) Purchase amounts and percentages, balances and percentages of corresponding payables as of the end of the period.
   (2) Sale amounts and percentages, balances and percentages of corresponding receivables as of the end of the period.
   (3) Property transaction amounts and resulting gains (losses).

(4) Purchases and balances of check endorsements and guarantees and the offering of collaterals as of the end of the period.

(5) Maximum balance, end-of-period balance, interest rate range and interest expenses of borrowings during the period.

(6) Other transactions (such as offering and receiving of services) with significant influence on profit or loss or financial status during the period.

(IV) Information on major shareholders: names, shareholding amounts and percentages of the shareholders with at least 5% stakes: Table 10

XXXII. Segment information

The information provided to the key decision-makers for resource allocation and segment performance reviews is focused on each delivered product type. The consolidated company's segment reporting should be based on product categories. The two strategic business units are managed separately due to the different technologies and market strategies involved. Segment A sells barcode printers and relevant components. Segment B sells labels and printer consumables.

(I) Segment Revenues and Operating Results

The consolidated company's reporting segment revenues and operating results are as follows:

	2022			
	Segment A	Segment B	Intersegment adjustment	Total
Income				
Revenue from external customers	$ 4,985,010	$ 2,981,908	$ -	$ 7,966,918
Intersegment revenue	374	349	(723)	-
Total revenue	$ 4,985,384	$ 2,982,257	($ 723)	$ 7,966,918
Interest income	$ 11,794	$ -	($ 7,712)	$ 4,082
Financial cost	(25,463)	(10,765)	7,712	(28,516)
Material income, expenses, and losses				
Depreciation and amortization	179,558	94,290	-	273,848
Segment profit (loss)	$ 1,402,502	$ 275,354	($ 330,462)	$ 1,347,394

	2021			
	Segment A	Segment B	Intersegment adjustment	Total
Income				
Revenue from external customers	$ 4,495,203	$ 2,353,605	$ -	$ 6,848,808
Intersegment revenue	595	37	(632)	-
Total revenue	$ 4,495,798	$ 2,353,642	($ 632)	$ 6,848,808
Interest income	$ 8,254	$ -	($ 3,864)	$ 4,390
Financial cost	(19,281)	(10,148)	3,864	(25,565)
Material income, expenses, and losses				
Depreciation and amortization	161,987	94,290	-	256,277
Segment profit (loss)	$ 1,184,223	$ 147,804	($ 249,124)	$ 1,082,903

The consolidated company treats intersegment sales as transactions with third parties by measuring these sales with prevalent market prices.

The consolidated company's management allocates resources and assesses segment performance by referring to the internal reporting of segment profit or loss before tax (excluding non-recurrent items) according to the review by key decision-makers in operations. The consolidated company does not allocate income tax expenses (gains) and non-recurrent gains (losses) to reporting segments as income tax expenses (gains) and expenses and non-recurrent gains (losses) are managed at the group level. The reported amounts are consistent with the amounts in the reports used by operational decision-makers.

(II) Regional disclosure

The consolidated company operates mainly in four regions: Taiwan and other parts of Asia, China, the Americas, and Europe.

Income generated from external customers classified by operating location, and non-current assets by location where they are located:

Income

	2022	2021
Main markets		
Taiwan and other parts of Asia	$ 1,255,080	$ 1,140,722
China	1,077,514	1,062,876
Americas	4,113,704	3,162,286
Europe	1,520,620	1,482,924
	$ 7,966,918	$ 6,848,808

Non-current assets

	2022	2021
Main markets		
Taiwan and other parts of Asia	$ 502,006	$ 528,405
China	175,566	191,076
Americas	1,792,438	1,713,650
Europe	23,394	26,200
	$ 2,493,404	$ 2,459,331

Non-current assets include property, plant and equipment, right-of-use assets, goodwill and other intangible assets.

(III) Information on major customers

None of the consolidated company's customers individually accounted for more than 10% of revenues in 2022 and 2021.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Loans to Others

Jan. 1, 2022 to Dec. 31, 2022

Table 1

Unit: NT$ thousand unless otherwise indicated

No. (Note 1)	Financing company	Counter-party	Financial statement account (Note 2)	Related party?	Maximum balance for the period (Notes 3, 6)	Balance at the end of the period (Notes 3, 6)	Amount actually drawn (Note 6)	Interest rate range	Nature for financing	Transaction amounts	Reason for need for short-term financing	Recognized allowance for bad debts	Collateral		Financing limits for each borrowing company (Note 4)	Financing company's total financing amount limits (Note 5)
													Name	Value		
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	Other receivables – affiliated parties	Yes	$ 214,970 (USD 7,000 thousand)	$ 214,970 (USD 7,000 thousand)	$ 52,207 (USD 1,700 thousand)	5.25%	The need for short-term financing	$ -	Operating capital	$ -	None	$ -	$ 950,145	$ 1,900,290
0	TSC Auto ID Technology Co., Ltd.	Diversified Labeling Solutions Inc.	Other receivables – affiliated parties	Yes	307,100 (USD 10,000 thousand)	307,100 (USD 10,000 thousand)	168,905 (USD 5,500 thousand)	5.25%	The need for short-term financing	-	Operating capital	-	None	-	950,145	1,900,290

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: This field is required for the accounts receivable from affiliated companies, accounts receivable from affiliated parties, transactions with shareholders, prepayments, temporary payments, etc. that are lending in nature.

Note 3: The maximum balance during the period and the balance as of the end of the period refer to the quotas determined by the Board of Directors, not the amounts actually utilized.

Note 4: Any need for short-term financing from the Company is capped at 20% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 5: The aggregate amount of the Company's lending to others is capped at 40% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 6: Foreign currency amounts in this table are based on exchange rates on Dec. 31, 2022. NT dollars based on US$1=NT$30.71.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Endorsements and Guarantees for Others

Jan. 1, 2022 to Dec. 31, 2022

Table 2

Unit: NT$ thousand unless otherwise indicated

No. (Note 1)	Name of the endorsement/guarantee provider	Endorsed/guaranteed entity		Limit of endorsements/guarantees for a single company (Note 3)	Maximum balance of endorsements/guarantees during the period (Note 6)	Balance of endorsements/guarantees as of the end of the period (Notes 4, 6)	Amount actually drawn (Note 5, 6)	Amount endorsed/guaranteed by collateralizing assets	Cumulative endorsed/guaranteed amount as the % of book value in the most recent financial statements	Maximum limit of endorsements/guarantees (Note 3)	Endorsements/guarantees from the parent to subsidiaries	Endorsements/guarantees from subsidiaries to the parent	Endorsements/guarantees to entities in China	Remarks
		Name of the company	Relation (Note 2)											
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	(2)	$ 1,900,290	$ 368,520 (USD 12,000 thousand)	$ 368,520 (USD 12,000 thousand)	$ -	$ -	7.76%	$ 2,850,435	Y	N	N	

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: Please indicate one of the following seven types of relations between endorsers/guarantors and endorsees/guarantees:

(1) Company with business dealings.

(2) Company with over 50% voting shares directly and indirectly owned by the Company.

(3) Company who directly and indirectly owns at over 50% of the Company's voting shares.

(4) Between the companies with over 90% voting shares directly and indirectly owned by the Company.

(5) Between peers required for engineering project undertakings or between joint builders required to guarantee each other according to contract terms and conditions.

(6) Endorsement and guarantee to an investee by all shareholders according to shareholding percentages in a joint investment.

(7) Joint guarantee provided by peers in contract performance for off-plan property sales according to the Consumer Protection Act.

Note 3: The aggregate endorsed/guaranteed amount and the maximum endorsement/guarantee to a single company is capped at 60% and 40%, respectively, of the Company's book value according to the most recent financial statements as audited or reviewed by CPAs.

Note 4: This field is for the amount approved by the Board of Directors. However, please provide the amount decided by the Chairman if the Chairman is authorized by the Board of Directors according to Subparagraph 8 of Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 5: Amount actually utilized by the endorsed/guaranteed company within the endorsed/guaranteed range.

Note 6: Foreign currency amounts in this table are based on exchange rates on Dec. 31, 2022. NT dollars based on US$1=NT$30.71.

Note 7: The Company provides a customs endorsement/guarantee with a bank letter of guarantee for NT$4,000 thousand to Taipei Customs, Customs Administration.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Position of marketable securities at the end of the period

Dec. 31, 2022

Table 3

Unit: NT$ thousand/thousand shares/thousand units

Investees	Types and names of marketable securities (Note 1)	Relation with the issuer (Note 2)	Itemized account	End of the period				Remarks
				No. of units	Carrying amount (Note 3)	Shareholding percentage	Fair value	
	Shares							
The Company	Taiwan Semiconductor Co., Ltd.	Parent company	Financial assets measured at fair value through other comprehensive incomes – non-current	14,800	$ 1,098,160	5.62%	$ 1,098,160	

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforesaid financial instruments according to IFRS 9 Financial Instruments.

Note 2: Blank in this column if the issuer of the marketable securities is not a related party.

Note 3: Column of carrying amount: Please provide the carrying amount after fair value adjustments and allowance for losses if measured at fair value or the carrying amount at amortized cost (net of allowance for losses) if not measured at fair value.

Note 4: Please refer to Tables 7 and 8 for information on subsidiaries.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Purchase from and sale to affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital

Jan. 1, 2022 to Dec. 31, 2022

Table 4

Unit: NT$ thousand unless otherwise indicated

Purchase (sale) company	Counterparties	Relation	Transactions				Circumstances and reasons why transaction terms are not at an arm's length		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As % of total sale (purchase)	Credit period	Unit price	Credit period	Balance	As % of total notes and accounts receivable (payable)	
The Company	TSCAE	Subsidiaries	Sale	($ 1,209,955)	(31%)	135 days based on monthly statements	-	-	$ 640,390	47%	
The Company	Tianjin TSC Auto ID Technology	Sub-subsidiary	Sale	(597,482)	(15%)	60 days based on monthly statements	-	-	66,909	5%	
	Tianjin TSC Auto ID Technology	Sub-subsidiary	Purchase	696,558	32%	60 days based on monthly statements	-	-	(158,161)	(25%)	
The Company	TSCAA	Subsidiaries	Sale	(655,646)	(17%)	120 days based on monthly statements	-	-	359,305	26%	

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Receivables from affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital

Dec. 31, 2022

Table 5

Unit: NT$ thousand unless otherwise indicated

Company from which receivables are recognized	Name of the counterparty	Relation	Receivables from affiliated parties (Note 1)		Turnover	Overdue receivables from affiliated parties		Recovered receivables from affiliated parties (Note 2)	Recognized allowance for bad debts
						Amount	Treatment		
The Company	TSCAE	Subsidiaries	Accounts receivable	$ 640,390	2.24	$ -	-	$177,937	$ -
The Company	TSCAA	Subsidiaries	Accounts receivable Other receivables	359,305 53,148	2.29	-	-	90,179 52,512	-
The Company	DLS	Subsidiaries	Other receivables	168,905		-	-	168,095	-
Tianjin TSC Auto ID Technology	The Company	Parent company	Accounts receivable	158,161	4.03	-	-	158,161	-

Note 1: Please provide accounts receivable, notes receivable and other receivables.

Note 2: Recovered amount as of Mar. 15, 2023.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Business relations, circumstances and amounts of significant transactions between the parent and subsidiaries and among subsidiaries

Jan. 1, 2022 to Dec. 31, 2022

Table 6 Unit: NT$ thousand unless otherwise indicated

No.	Entity concerned	Name of the counterparty	Relation with the counterparty (Note 1)	Transaction with the counterparty			
				Item	Amount	Transaction terms and conditions	As % of the consolidated total revenue or the consolidated total assets (Note 2)
0	The Company	TSCAA	1	Accounts receivable	$ 359,305	Note 3	4%
			1	Revenues	655,646	Note 3	8%
		TSCAE	1	Accounts receivable	640,390	Note 3	8%
			1	Revenues	1,209,955	Note 3	15%
		Tianjin TSC Auto ID Technology	1	Revenues	597,482	Note 3	7%
			1	Accounts payable	158,161	Note 3	2%
			1	Purchase	696,558	Note 3	9%
		DLS	1	Other receivables	168,905	At an arm's length	2%

Note 1: Relation with the counterparty:

1. The parent to a subsidiary
2. Subsidiary to the parent
3. Subsidiary to a subsidiary

Note 2: Transactions as a percentage of the consolidated total revenue or the consolidated total assets: If the transactions are a balance sheet item, the balance at the end of the period is calculated as a percentage of consolidated total assets. If the transactions are an income statement item, the cumulative amount is calculated as a percentage of the consolidated total revenue.

Note 3: Sales based on market prices Collection period: 60-135 days based on monthly statements

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Name and location of the investee, etc.

Jan. 1, 2022 to Dec. 31, 2022

Table 7

Unit: NT$ thousand unless otherwise indicated

Name of the investment company	Name of the investee	Location	Primary business	Original invested amount		Holdings at the end of the year			Profit (loss) of the investee during the period	Recognized investment gain (loss) during the period	Remarks
				End of this period	End of last year	No. of shares (thousand shares)	Percentage (%)	Carrying amount (Note 2)			
The Company	TSCAE	Germany	Sale of barcode printers and relevant components	$ 2,943	$ 2,943	Note 1	100.00	($ 18,046)	$ 9,583	$ 9,583	Subsidiaries
The Company	TSCAA	United States	Sale of barcode printers and relevant components	1,096,621 (US$33,000 thousand)	1,096,621 (US$33,000 thousand)	16,000	100.00	1,077,842	36,363	36,363	Subsidiaries
The Company	TSCHK	Hong Kong	Investment in production businesses and general imports/exports	51,738 (US$1,654 thousand)	51,738 (US$1,654 thousand)	11,711	100.00	570,382	96,380	96,380	Subsidiaries
The Company	PTNXUS	United States	Sale of barcode printers and relevant components	Note 3	63,021 (US$1,875 thousand)	-	-	-	8,786	(326)	Sub-subsidiary
The Company	Printronix Auto ID Technology	Taiwan	Sale of barcode printers and relevant components	5,000	5,000	500	100.00	5,259	(167)	(167)	Subsidiaries
The Company	DLS	United States	Printer consumables and customized design, integration, production and marketable of a variety of labels	801,558 (US$26,000 thousand)	801,558 (US$26,000 thousand)	1	100.00	1,224,938	188,610	188,610	Subsidiaries
The Company	TSCIN	India	Sale of barcode printers and relevant components	2,791 (US$100 thousand)	2,791 (US$100 thousand)	710	100.00	1,601	(989)	(989)	Subsidiaries
TSCAE	TSCAD	United Arab Emirates	Sale of barcode printers and relevant components	8,234	8,234	Note 1	100.00	(8,234)	(928)	(928)	Sub-subsidiary
TSCAE	TSCAS	Spain	Sale of barcode printers and relevant components	124	124	Note 1	100.00	2,660	337	337	Sub-subsidiary
TSCAA	PTNXUS	United States	Sale of barcode printers and relevant components	Note 4	US$45,319 thousand	-	-	-	8,786 (US$308 thousand)	(6,186) (US$217 thousand)	Sub-subsidiary
DLS	PPL	United States	Selling of a variety of labels and printer consumables	US$115 thousand	US$115 thousand	850	100.00	29,886 (US$973 thousand)	15,282 (US$516 thousand)	15,282 (US$516 thousand)	Sub-subsidiary

Note 1: The company license only specifies the amount of invested capital without the number of shares.

Note 2: Carrying amount net of unrealized gains from sales.

Note 3: The 5% shareholding was transferred to TSCAA on Jul. 1, 2022 due to the restructuring in the Group.

Note 4: TSCAA has consolidated the shares of PTNX US on Jul. 1, 2022.

Note 5: Please refer to Tables 8 and 9 for information on investees in China.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Information on investments in China

Jan. 1, 2022 to Dec. 31, 2022

Table 8

Unit: NT$ thousand unless otherwise indicated

Names of investees in China	Primary business	Paid-in capital (Note 5)	Investment method (Note 1)	Cumulative outward investments from Taiwan at the beginning of this period (Note 5)	Outward remittances or recovered investments during the period		Cumulative outward investments from Taiwan at the end of this period (Note 5)	Profit or loss of the investee during the period	Holding by the Company directly and indirectly	Recognized investment gain or loss during the period (Note 2)	Carrying amount of the investment at the end of the period	Total repatriated investment gains as of the end of this period	Remarks
					Outward remittances	Recovered investments							
Tianjin TSC Auto ID Technology Co., Ltd.	Production and marketing of barcode printers and relevant components	$ 46,284 (CNY 10,500 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	$ 46,065 (US$1,500 thousand)	$ -	$ -	$ 46,065 (US$1,500 thousand)	$ 96,048	100%	$ 96,048 (Note 3)	$ 608,375	$ 787,814	
Shenzhen Printronix Auto ID Technology Co., Ltd.	Sale of barcode printers and relevant components	4,408 (CNY 1,000 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	4,729 (US$154 thousand)	-	-	4,729 (US$154 thousand)	331	100%	331 (Note 3)	6,023	-	

Cumulative outward investments from Taiwan to China at the end of this period (Note 5)	Investment amount approved by the Investment Commission, MOEA (Note 5)	Ceiling imposed by the Investment Commission, MOEA on investments in China (Note 4)
$ 50,794 (US$1,654 thousand)	$ 50,794 (US$1,654 thousand)	$ 2,850,435

Note 1: Please indicate one of the following three investment methods:

(1) Direct investments in China

(2) Investments in China via third regions (Please indicate the investment companies in third regions)

(3) Other methods

Note 2: Recognized investment gains or losses during the period:

(1) Please note if there is no investment gain or loss yet during the preparatory stage.

(2) Please indicate one of the three following bases for recognition of investment gains or losses:

A. Financial statements audited by international accounting firms with cooperation ties with accounting firms in Taiwan.

B. Financial statements reviewed by the parent company's external auditor in Taiwan.

C. Others.

Note 3: Note 2-2(B) for the basis of investment gains (losses) recognition.

Note 4: According to the Amendment to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China on Aug. 29, 2008 by the Investment Commission, the cap on investments in China is 60% of the book value.

Note 5: Foreign currency amounts in this table based on exchange rates on Dec. 31, 2022. NT dollars based on US$1=NT$30.71 or RMB$1=NT$4.408.

TSC Auto ID Technology Co., Ltd. and Its Subsidiaries

Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions, and other relevant information

Jan. 1, 2022 to Dec. 31, 2022

Table 9

Unit: NT$ thousand unless otherwise indicated

Counterparties	Relation with the counterparty	Transaction type: purchase (sale)	Amount	Transaction terms and conditions			Notes and accounts receivable (payable)		Unrealized gains or losses
				Price	Payment terms	Comparison with transactions at an arm's length	Balance	%	
Tianjin TSC Auto ID Technology Co., Ltd.	Sub-subsidiary	Sale	($ 597,482)	Note 1	60 days based on monthly statements	Equivalent	$ 66,909	5%	$ 44,057 (Note 2)
		Purchase	696,558	Note 1	60 days based on monthly statements	Equivalent	(158,161)	(25%)	

Note 1: The Company's transactions with affiliated parties are conducted according to the agreed prices.

Note 2: This refers to cumulative unrealized gains or losses as of Dec. 31, 2022.

TSC Auto ID Technology Co., Ltd.

Information on major shareholders

Dec. 31, 2022

Table 10 | Unit: shares

Name of the major shareholder	Shares	
	No. of shares held	Shareholding percentage
Taiwan Semiconductor Co., Ltd.	15,453,177	36.35%
Standard Chartered Bank, Department of Business in custody for Fidelity Puritan Trust: Fidelity Low-Priced Fund Investment	2,307,000	5.42%
Cathay Life Insurance's fully discretionary account with Cathay Securities Investment Trust (TAIEX 15)	2,190,300	5.15%

Note: The information on major shareholders in this table is based on the Taiwan Depository & Clearing Corporation data on the shareholders with at least 5% of paperless ordinary shares and preferred shares (including treasury shares) without registration on the final business day of the current quarter. The number of paperless shares may be different from the share capital recorded in the Company's consolidated financial statements due to differences in the basis of preparation.

Auditor's Audit Report

To TSC Auto ID Technology Co., Ltd.:

Audit opinions

We have audited the standalone balance sheet as of Dec. 31, 2022 and Dec. 31, 2021; the standalone incomes statement from Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021; the standalone statements of changes in equity and the standalone statements of cash flows from Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021 of TSC Auto ID Technology Co., Ltd. and the notes to standalone financial statements (including the summary of major accounting policies).

Based on our audit and other auditors' audit (please refer to "Other Matters"), all material disclosures in the standalone financial statements mentioned above were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and provide fair representation of TSC Auto ID Technology Co., Ltd.'s standalone financial status as of Dec. 31, 2022 and 2021, standalone financial performance from Jan. 1 to Dec. 31, 2022 and 2021, and standalone cash flows from Jan. 1 to Dec. 31, 2022 and 2021.

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing principles. Our responsibilities as auditor for the standalone financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the Norm of Professional Ethics for CPA and maintained independence from TSC Auto ID Technology Co., Ltd. when performing their duties. We believe that the evidence obtained from our audit and the audit results of other auditors provide an adequate and appropriate basis for our opinion.

Key Audit Issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2022 standalone financial statements of TSC Auto ID Technology Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the standalone financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2022 standalone financial statements of TSC Auto ID Technology Co., Ltd. are as follows:

<u>Impairment assessment for equity-accounted investments (including goodwill)</u>

TSC Auto ID Technology Co., Ltd. acquired controlling interest in Printronix Auto ID Technology Inc. on Jan. 23, 2016, and later acquired the main business activities and operating assets from Diversified Labeling Solutions, Inc. in Jan. 2019. The acquisition includes the printer business Printronix brand and labeling business DLS brand. Equity-accounted investments (including goodwill) were recognized in standalone financial statements for the respective years, and the amounts are considered material to the standalone financial statements. Impairment assessment for goodwill is explained below:

Assessment of impairment for equity-accounted investments (including goodwill) depends largely on the estimation of the recoverable amount using future operating cash flow from the printer business Printronix brand and labeling business DLS brand (the cash-generating units). Since estimation of future operating cash flow involves the management's forecast on the performance of the industry and the Company, the assumptions used for the estimation and preparation (mainly including sales growth and operating profit margin) are prone to subjective judgment and high levels of uncertainty.

We have taken actions during our audit to address the above uncertainties, including: obtaining a goodwill impairment assessment report issued by a professional appraiser that the management had commissioned; understanding and assessing the rationality of the recoverable amount calculated from the valuation model; and evaluating the overall rationality of the aforementioned goodwill impairment assessment report after taking into consideration the assumptions used in the valuation model, such as sales growth, profit margin, and weighted average funding cost (including the risk-free rate, volatility, and risk premium), the state of the Company's operations, the state of the industry, and future outlook.

Other Matters

As narrated in Note 11 of the standalone financial statement, amongst the equity-accounted subsidiaries presented in the 2022 and 2021 standalone financial statements of TSC Auto ID Technology Co., Ltd., some had financial statements audited by other CPAs. Therefore, opinions made in the aforementioned standalone financial statements in regards to the book value of equity-accounted subsidiaries and the share of gains/losses were based on the figures recognized in audit reports prepared by other CPAs. As of Dec. 31, 2022 and 2021, the abovementioned equity-accounted investees represented 16.13% and 13.38% respectively of the Company’s standalone total assets; share of profit from the abovementioned investees in 2022 and 2021 accounted for 15.58% and 11.06% respectively of the Company’s standalone pre-tax profit.

Responsibilities of the management and governing body of the standalone financial statements

Responsibilities of the management were to prepare and ensure fair presentation of the standalone financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and to exercise proper internal control practices that are relevant to the preparation of the standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The governing body of TSC Auto ID Technology Co., Ltd. (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing standalone financial statements

The purposes of our audit were to obtain reasonable assurance of whether the standalone financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We consider assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with auditing principles do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of users of the standalone financial statement.

When conducting audits in accordance with the auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as auditor:

1. Identifying and assessing risks of material misstatement within the standalone financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Because fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, the risk of not detecting material misstatements arising from fraud is greater than that of misstatements arising from error.

2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinions on the effectiveness of the internal control system of TSC Auto ID Technology Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of TSC Auto ID Technology Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are obliged to remind users of the standalone financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or changes of circumstances may still render TSC Auto ID Technology Co., Ltd. no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on the financial information of individual entities within TSC Auto ID Technology Co., Ltd., and expressing opinions on the standalone financial statements. Our responsibilities as auditor are to instruct, supervise and execute audits and form audit opinions on TSC Auto ID Technology Co., Ltd.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the Norm of Professional Ethics for CPA, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2022 standalone financial statements of TSC Auto ID Technology Co., Ltd. These issues have been addressed in our audit report except for topics that are prohibited by law from being disclosed to the public, or, under extreme circumstances, topics that we decided not to communicate in the audit report because of greater negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan

CPA Chang Li Chun

CPA Fan You Wei

Official Letter of Approval by Financial Supervisory Commission
Financial-Supervisory-Securities-Corporate-1100356048

Official Letter of Approval by Securities and Futures Commission
Taiwan-Finance-Securities-VI-0920123784

Mar. 15, 2023

TSC Auto ID Technology Co., Ltd.

Standalone Balance Sheet

Dec. 31, 2022 and Dec. 31, 2021

Unit: NT$ thousand

		Dec. 31, 2022		Dec. 31, 2021	
Code	Asset	Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 833,645	11	$ 883,849	13
1110	Financial assets at fair value through profit or loss (Notes 7 and 26)	1,798	-	3,061	-
1170	Notes and accounts receivable, net (Note 9)	283,996	4	374,060	5
1180	Accounts receivable – affiliated parties (Note 27)	1,082,149	14	739,074	11
1200	Other receivables	11,472	-	9,480	-
1210	Other receivables – affiliated parties (Note 27)	227,995	3	323,124	5
130X	Inventory (Note 10)	561,043	8	447,142	6
1470	Other current assets	3,777	-	1,527	-
11XX	Total current assets	3,005,875	40	2,781,317	40
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Notes 8 and 26)	1,098,160	14	1,068,960	15
1550	Equity-accounted investments (Notes 11 and 27)	2,880,022	38	2,436,780	35
1600	Property, plant and equipment (Note 12)	464,074	6	474,642	7
1755	Right-of-use assets (Note 13)	1,417	-	5,244	-
1780	Intangible assets (Note 14)	35,452	1	48,059	1
1840	Deferred income tax assets (Note 21)	95,524	1	116,662	2
1990	Other non-current assets	14,927	-	3,992	-
15XX	Total non-current assets	4,589,576	60	4,154,339	60
1XXX	Total assets	$ 7,595,451	100	$ 6,935,656	100
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 15)	$ 876,515	11	$ 550,706	8
2120	Financial liabilities at fair value through profit or loss (Notes 7 and 26)	1,984	-	443	-
2170	Accounts payable	465,124	6	410,105	6
2180	Accounts payable – affiliated parties (Note 27)	158,262	2	281,143	4
2200	Other payables (Note 16)	222,810	3	190,905	3
2220	Other accounts payable – affiliated parties (Note 27)	17,858	-	17,884	-
2230	Income tax liability during the period (Note 21)	120,113	2	182,379	3
2280	Lease liability (Note 13)	1,528	-	5,305	-
2320	Long-term liabilities due within one year (Note 15)	63,000	1	65,000	1
2399	Other current liabilities (Note 19)	43,764	1	72,258	1
21XX	Total current liabilities	1,970,958	26	1,776,128	26
	Non-current liabilities				
2540	Long-term loans (Note 15)	557,000	7	835,000	12
2570	Deferred income tax liabilities (Note 21)	265,370	4	193,834	3
2580	Lease liability (Note 13)	-	-	2,270	-
2640	Net defined benefit liability (Note 17)	14,954	-	19,731	-
2670	Other non-current liabilities	36,444	-	20,550	-
25XX	Total non-current liabilities	873,768	11	1,071,385	15
2XXX	Total liabilities	2,844,726	37	2,847,513	41
	Equity (Note 18)				
	Share capital				
3110	Ordinary share capital	425,129	6	424,769	6
3140	Advanced receipt of share capital	60	-	-	-
3100	Total share capital	425,189	6	424,769	6
3200	Capital surplus	615,845	8	592,852	9
	Retained earnings				
3310	Legal reserve	673,504	9	595,108	9
3320	Special reserve	8,597	-	8,597	-
3350	Unappropriated earnings	2,537,721	33	2,113,635	30
3300	Total retained earnings	3,219,822	42	2,717,340	39
3400	Other equity	489,869	7	353,182	5
3XXX	Total equity	4,750,725	63	4,088,143	59
	Total liabilities and equity	$ 7,595,451	100	$ 6,935,656	100

The notes are an integral part of these standalone financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei   Chief Executive Officer: Chen Ming-Yi   Chief Accounting Officer: Lin Shu-Juan

TSC Auto ID Technology Co., Ltd.

Standalone Comprehensive Income Statement

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Unit: NT$ thousand except NT$ for earnings per share

Code		2022 Amount	2022 %	2021 Amount	2021 %
	Operating incomes (Notes 19, 27)				
4110	Revenues	$ 3,865,879	100	$ 3,266,229	100
	Operating costs (Notes 10, 20, 27)				
5110	Cost of goods sold	2,447,256	63	2,083,861	64
5900	Gross profits	1,418,623	37	1,182,368	36
5910	(Unrealized) realized gain on transactions with subsidiaries	(90,169)	(3)	10,995	1
5950	Realized gross profit	1,328,454	34	1,193,363	37
	Operating expenses (Notes 9, 20, 27)				
6100	Sales & marketing expenses	81,304	2	58,379	2
6200	Administrative expenses	219,216	6	174,772	5
6300	R&D expenses	233,829	6	216,484	7
6000	Total operating expenses	534,349	14	449,635	14
6900	Operating profits	794,105	20	743,728	23
	Non-operating incomes and expenses				
7100	Interest income (Notes 20, 27)	10,994	-	7,050	-
7190	Other incomes (Notes 20, 27)	44,021	1	25,835	1
7020	Other gains and losses (Note 20)	51,944	1	8,222	-
7050	Financial cost (Note 20)	(19,545)	-	(14,120)	(1)
7070	Share of profit from equity-accounted subsidiaries (Note 11)	329,454	9	218,452	7
7000	Total non-operating incomes and expenses	416,868	11	245,439	7

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7900	Profits before tax	1,210,973	31	989,167	30
7950	Income tax expenses (Note 21)	246,064	6	204,681	6
8200	Current net income	964,909	25	784,486	24
	Other comprehensive income				
	Items that are not to be reclassified to profit or loss:				
8311	Remeasurement of defined benefit plan (Note 17)	4,819	-	(524)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive incomes (Note 18)	(55,335)	(1)	223,040	7
8310		(50,516)	(1)	222,516	7
	Items that may be subsequently reclassified to profit or loss:				
8361	Exchange differences on translation of financial statements of foreign operations (Note 18)	240,028	6	(75,615)	(2)
8399	Income tax components that may be reclassified (Note 21)	(48,006)	(1)	15,123	-
8360		192,022	5	(60,492)	(2)
8300	Other comprehensive income for the year (net of tax)	141,506	4	162,024	5

8500	Total comprehensive income for the year	$ 1,106,415	29	$ 946,510	29
	Earnings per share (Note 22)				
9710	Basic	$ 22.71		$ 18.47	
9810	Diluted	$ 22.45		$ 18.32	

The notes are an integral part of these standalone financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei	Chief Executive Officer: Chen Ming-Yi	Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd.

Standalone Statement of Changes in equity

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Unit: NT$ thousand unless otherwise indicated

		Share capital					Retained earnings				Other equity			
Code		No. of shares (thousand shares)	Ordinary share capital	Advanced receipt of share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain of financial assets measured at fair value through other comprehensive incomes	Total	Total equity
A1	Balance on Jan. 1, 2021	42,477	$ 424,769	$ -	$ 424,769	$ 577,665	$ 523,393	$ 8,597	$ 1,826,157	$ 2,358,147	($ 233,777)	$ 424,411	$ 190,634	$ 3,551,215
	Appropriation and distribution of 2020 earnings													
B1	Legal reserve	-	-	-	-	-	71,715	-	(71,715)	-	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	-	-	(424,769)	(424,769)	-	-	-	(424,769)
D1	2021 net income	-	-	-	-	-	-	-	784,486	784,486	-	-	-	784,486
D3	2021 other comprehensive income - after tax	-	-	-	-	-	-	-	(524)	(524)	(60,492)	223,040	162,548	162,024
D5	Total comprehensive income of 2021	-	-	-	-	-	-	-	783,962	783,962	(60,492)	223,040	162,548	946,510
N1	Share-based compensation – employee stock options (Note 23)	-	-	-	-	15,187	-	-	-	-	-	-	-	15,187
Z1	Balance on Dec. 31, 2021	42,477	424,769	-	424,769	592,852	595,108	8,597	2,113,635	2,717,340	(294,269)	647,451	353,182	4,088,143
G1	Exercise of employee stock options	36	360	60	420	6,296	-	-	-	-	-	-	-	6,716
	Appropriation and distribution of 2021 earnings													
B1	Legal reserve	-	-	-	-	-	78,396	-	(78,396)	-	-	-	-	-
B5	Cash dividend to shareholders	-	-	-	-	-	-	-	(467,246)	(467,246)	-	-	-	(467,246)
D1	2022 net income	-	-	-	-	-	-	-	964,909	964,909	-	-	-	964,909
D3	2022 other comprehensive income - after tax	-	-	-	-	-	-	-	4,819	4,819	192,022	(55,335)	136,687	141,506
D5	Total comprehensive income of 2022	-	-	-	-	-	-	-	969,728	969,728	192,022	(55,335)	136,687	1,106,415
M3	Income taxes related to subsidiaries under organizational restructuring (Notes 21, 24)	-	-	-	-	1,984	-	-	-	-	-	-	-	1,984
N1	Share-based compensation – employee stock options (Note 23)	-	-	-	-	14,713	-	-	-	-	-	-	-	14,713
Z1	Balance on Dec. 31, 2022	42,513	$ 425,129	$ 60	$ 425,189	$ 615,845	$ 673,504	$ 8,597	$ 2,537,721	$ 3,219,822	($ 102,247)	$ 592,116	$ 489,869	$ 4,750,725

The notes are an integral part of these standalone financial statements.

(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei

Chief Executive Officer: Chen Ming-Yi

Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd.

Standalone Statement of Cash Flows

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Pre-tax profit for the current period	$ 1,210,973	$ 989,167
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	33,905	33,937
A20200	Amortization	26,516	24,001
A20300	Expected credit loss	-	1,476
A20900	Financial cost	19,545	14,120
A21200	Interest income	(10,994)	(7,050)
A21300	Dividend income	(37,000)	(20,400)
A21900	Cost of employee stock options	14,713	15,187
A22400	Share of profit from equity-accounted subsidiaries	(329,454)	(218,452)
A23700	Loss for market price decline and obsolete inventory (Gain from price recovery)	19,500	(800)
A23900	(Realized) unrealized gain on transactions with subsidiaries	90,169	(10,995)
A24100	Unrealized foreign exchange (gains) losses	(44,802)	5,496
A29900	Gain on lease amendment	(621)	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets designated at fair value through profit or loss	1,263	(2,127)
A31150	Notes and accounts receivable	87,397	(115,252)
A31160	Accounts receivable – affiliated parties	(306,696)	(34,304)
A31180	Other receivables	3,768	1,488
A31190	Other receivables – affiliated parties	(48,788)	5,784
A31200	Inventory	(133,401)	(178,333)
A31240	Other current assets	(2,250)	1,086
A32110	Financial liabilities held for trading	1,541	(2,792)
A32150	Accounts payable	53,396	122,513
A32160	Accounts payable – affiliated parties	(122,166)	140,804
A32180	Other payables	29,855	31,358
A32190	Other payables – affiliated parties	285	(211)
A32230	Other current liabilities	(28,494)	40,860

A32240	Net defined benefit liability	42	(3,653)
A32990	Other non-current liabilities	(2,152)	8,322
A33000	Cash inflows from operating activities	526,050	841,230

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Code		2022	2021
A33100	Interest received	$ 11,132	$ 6,758
A33500	Income tax paid	(261,678)	(142,235)
AAAA	Net cash flows from operating activities	275,504	705,753
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive incomes	(84,535)	-
B01800	Established equity-accounted subsidiaries	-	(2,791)
B02300	Net cash inflow for disposal of a subsidiary (Note 27)	48,219	-
B02700	Purchase of property, plant and equipment	(16,940)	(9,073)
B03700	Increase in refundable deposits	(442)	(252)
B03800	Decrease in refundable deposits	758	4
B04300	Increase in other receivables – affiliated parties	(311,248)	(355,295)
B04400	Decrease in other receivables – affiliated parties	448,588	329,392
B04500	Purchase of intangible assets	(13,909)	(14,999)
B07100	Increase in equipment prepayments	(14,631)	(2,436)
B07600	Dividends received	37,000	105,687
BBBB	Net cash inflows from investing activities	92,860	50,237
	Cash flows from financing activities		
C00100	Increase (decrease) in net short-term loans	320,151	(181,287)
C01600	Borrowing of long-term loans	280,000	300,000
C01700	Repayment of long-term loans	(560,000)	(430,000)
C04020	Repayment of lease principals	(4,015)	(3,391)
C04800	Exercise of employee stock options	6,716	-
C05600	Interest paid	(17,923)	(14,258)
C04500	Cash dividends paid	(467,246)	(424,769)
CCCC	Net cash outflows from financing activities	(442,317)	(753,705)
DDDD	Currency impact on cash and cash equivalents	23,749	(4,045)
EEEE	Net decrease in cash and cash equivalents	(50,204)	(1,760)
E00100	Cash and cash equivalents at the beginning of the year	883,849	885,609

E00200	Cash and cash equivalents at the end of the year	$ 833,645	$ 883,849

The notes are an integral part of these standalone financial statements.
(Please refer to the audit report issued by Deloitte Taiwan on Mar. 15, 2023.)

Chairman: Wang Hsing Lei	Chief Executive Officer: Chen Ming-Yi	Chief Accounting Officer: Lin Shu Juan

TSC Auto ID Technology Co., Ltd.
Notes to Standalone Financial Statements
From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021
(Unit: NT$ thousand unless otherwise indicated)

I. Company History

TSC Auto ID Technology Co., Ltd. ("the Company"), founded on Mar. 19, 2007, is a global company in auto-identification systems/products manufacturing and services. The Company was listed on the TPEx on Nov. 26, 2008.

The standalone financial reports are expressed in NT dollars, the Company's functional currency.

II. Dates and procedures of approving financial reports

The standalone financial reports were approved on Mar. 15, 2023 by the Board of Directors.

III. Applicability of New and Modified Standards and Interpretations

(I) First adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations recognized and promulgated by the Financial Supervisory Commission (collectively referred to "IFRSs")

According to the Company's assessment, the adoption of the IFRSs recognized and promulgated in 2021 by the Financial Supervisory Commission will not cause material changes to the Company's accounting policies.

(II) IFRSs published by International Accounting Standards Board (IASB), recognized by the Financial Supervisory Commission and applicable in 2023

Newly published/amended/revised standards and interpretations	IASB release and effective date
IAS 1 Amendment: Disclosure of Accounting Policies	Jan. 1, 2022 (Note 1)
IAS 8 Amendment: Definition of Accounting Estimates	Jan. 1, 2023 (Note 2)
IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	Jan. 1, 2023 (Note 3)

Note 1: The adoption of this amendment is the annual reporting periods from Jan. 1, 2023 onward.

Note 2: The amendment is applicable to the changes of accounting estimates and accounting policies during the annual reporting periods from Jan. 1, 2023 onward.

Note 3: The amendment is applicable to the transactions after Jan. 1, 2022 except for temporary differences in relation to leases and decommissioning obligations on Jan. 1, 2022 recognized as deferred income taxes.

As of the date these standalone financial reports were approved and released and according to the Company's assessment, the adoption in 2023 of the amended standards and interpretations recognized by the Financial Supervisory Commission will not cause significant influence on its financial status or financial performance.

(III) IFRSs published by International Accounting Standards Board (IASB) but yet to be recognized by the Financial Supervisory Commission

Newly published/amended/revised standards and interpretations	IASB release and effective date (Note 1)
IFRS 10 and IAS 28 Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD
IFRS 16 Amendment: Lease Liability in a Sale and Leaseback	Jan. 1, 2024 (Note 2)
IFRS 17: Insurance Contracts	Jan. 1, 2023
IFRS 17 Amendment	Jan. 1, 2023
IFRS 17 Amendment: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	Jan. 1, 2023
IAS 1 Amendment: Classification of Liabilities as Current or Non-current	Jan. 1, 2024
IAS 1 Amendment: Non-current Liabilities with Covenants	Jan. 1, 2024

Note 1: Unless otherwise indicated, the abovementioned newly published, amended or revised standards and interpretations shall take effect on annual reporting periods after respective dates.

Note 2: The seller and lessee shall amend the sale and leaseback deal signed after the first time application of IFRS 16 for retrospective application.

As of the date these standalone financial reports were approved and released, the Company continued to assess the impact of other amended standards and interpretations on its financial status and financial performance. The relevant effects shall be disclosed once the assessment has been completed.

IV. Summary of Material Accounting Policies

(I) Statement of Compliance

These standalone financial statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of Preparation

These standalone financial statements were prepared according to historical costs except for the financial instruments measured at fair value and the net defined benefit liability calculated with the present value of the defined benefit obligation less the fair value of the asset plan.

The measurement of fair values can be classified into Level 1, Level 2 and Level 3 according to the level of observability and importance of relevant inputs.

1. Level 1 inputs: (unadjusted) quoted prices for identical assets or liabilities in active and liquid markets.
2. Level 2 inputs: input values of assets or liabilities observable directly (i.e., prices) or indirectly (i.e., inferred prices) other than Level 1 quoted prices.
3. Level 3 inputs: unobservable inputs for assets or liabilities.

The Company accounts for its subsidiaries using the equity method when preparing the standalone financial statements. To ensure consistency between the amount of profit/loss, other comprehensive income, and equity presented in the standalone financial statements and the amount of profit/loss, other comprehensive income, and equity attributable to the Company’s owners shown in the consolidated financial statements, adjustments were made to differences in accounting treatment between the standalone basis and consolidated basis for "equity-accounted investments," "share of profit from equity-accounted subsidiaries," "share of other comprehensive income from equity-accounted subsidiaries," and related equity items.

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

Current assets include:

1. Assets that are held mainly for the purpose of trading;
2. Assets that are expected to be realized within 12 months after the end of the reporting period; and
3. Cash and cash equivalents (except for those that are intended to be swapped or settled against liabilities more than 12 months after the end of the reporting period or those with restricted uses).

Current liabilities include:

1. Liabilities that are held mainly for the purpose of trading;
2. Liabilities that are expected to be repaid within 12 months after the end of the reporting period; and
3. Liabilities where the repayment terms cannot be extended unconditionally beyond 12 months after the end of the reporting period.

Assets and liabilities that do not satisfy the above criteria are classified into non-current assets or non-current liabilities.

(IV) Foreign currency

During preparation of the standalone financial report, transactions denominated in currencies other than the functional currency of the Company (i.e. foreign currency transactions) are converted and recorded in the functional currency using the exchange rate at the transaction date.

Monetary foreign currency accounts are converted using the closing exchange rates at the end of each reporting period. Exchange differences arising from the settlement or translation of monetary accounts are recognized in profit or loss in the year in which they occurred.

Foreign currency-denominated non-monetary items measured at fair value are converted using exchange rates as of the date of fair value assessment, with exchange differences recognized in current profit or loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items measured at historical cost are converted using the exchange rate at the date of the initial transaction. No further conversion is made.

When preparing the standalone financial reports, assets and liabilities of foreign operations (including subsidiaries that operate in countries or use currencies that are different from the Company) are converted into NTD using the exchange rates at the end of each reporting period. Revenues, expenses, and losses are converted using the average exchange rate of the current year; any exchange differences that arise as a result are recognized in other comprehensive income.

(V) Inventory

Inventory comprises raw materials, works-in-progress, finished goods, and semi-finished goods. Inventory is measured at the lower of cost or net realizable value; the lower of cost or net realizable value is compared item-by-item, except items within the same category. Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances. Cost of inventory is calculated using the weighted average method.

(VI) Investments in subsidiaries

The Company accounts for investments in subsidiaries using the equity method.

A subsidiary is an entity in which the Company exercises control.

Under the equity method, investments are initially recognized at cost; after the acquisition date, the book value may be increased or decreased by the Company's share of profits/losses and other comprehensive income in subsidiaries. Furthermore, changes in other equity items of subsidiaries are recognized proportionally according to the Company's shareholding percentage.

When the Company's change in the ownership of the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the book value of the investment and the fair value of the consideration paid or received shall be directly recognized as equity.

If the share of losses of a subsidiary equals or exceeds the Company's equity ownership, the Company will continue recognizing additional losses at the current shareholding percentage.

Acquisition costs in excess of the Company's share of net identifiable assets and liabilities (i.e., fair value) in a subsidiary that constitutes a business on the date of acquisition are recognized as goodwill. This goodwill includes the book value of the investment and is not amortized.

Impairments are assessed for individual cash-generating units and presented consistently throughout the standalone financial statements by comparing recoverable amounts with book values. Should the recoverable amount increase in subsequent years, the amount previously impaired can be reversed and recognized as gains. However, the asset's book value after reversal cannot exceed the amount of the book value less amortization before the impairment took place. Impairment loss on goodwill can not be reversed in a later year.

Any unrealized gains/losses arising from downstream transactions between the Company and subsidiaries have been eliminated in the standalone financial statements. Gains/losses arising from upstream transactions and transactions among subsidiaries are recognized in the standalone financial statements only when the Company exercises no control over the subsidiary.

(VII) Property, plant and equipment

Property, plant and equipment are initially recognized at cost, and subsequently presented at cost after accumulated depreciation and impairment.

No depreciation is provided on land, whereas property, plant and equipment are depreciated using the straight line method over their useful lives. Depreciation is provided separately for each major component. The Company reviews estimated useful life, residual value, and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Gains or losses arising from derecognized property, plant and equipment are calculated as the difference between disposal proceeds and the asset’s book value, and are recognized through profit or loss.

(VIII) Intangible assets

1. Acquisition by separate purchase

   Intangible assets that are acquired through separate purchase with limited useful life are initially recognized at cost, and subsequently measured at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively. Intangible assets that are without defined useful lives are presented at cost less accumulated impairment.

2. Derecognition

   When derecognizing intangible assets, the difference between the net disposal proceeds and book value of the assets is recognized in current profit or loss.

(IX) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Company evaluates all property, plant and equipment, right-of-use assets, and intangible assets for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have the recoverable amount estimated. If the recoverable amount can not be estimated for a particular asset, the Company will instead estimate the recoverable amount for the entire cash-generating unit.

Recoverable amount is the higher of the fair value less selling costs and the use value. If the recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset or cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized in profit or loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized through profit or loss.

(X) Financial Instruments

Financial assets and financial liabilities are recognized on the standalone balance sheet when the Company becomes a party of the contract of these instruments.

When initially recognizing financial assets and liabilities, those that are not designated to be measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities measured at fair value through profit or loss are recognized immediately through profit or loss.

1. Financial Assets

Routine transactions of financial assets are recognized on or derecognized from the balance sheet based on principle of trade date accounting.

(1) Measurement category

Financial assets held by the Company are divided into the following categories: financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and equity instrument investments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets held by the Company measured at fair value through profit or loss mainly comprise derivatives mandatorily measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value. Gains and losses from remeasurement are recognized as other gains and losses. See Note 26 for details regarding the fair value method.

B. Financial assets measured at amortized cost

Financial asset investments held by the Company that satisfy both the following conditions are measured at amortized cost:

a. The financial asset is held for a specific business model, the purpose of which is to hold the financial asset and collect contractual cash flow; and
b. The contractual terms give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

For financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables measured at amortized cost, etc.), the effective interest method is used to determine the book value at initiation. They are subsequently measured net of impairments and amortization. Any gain/loss from currency exchange incurred on these financial assets is recognized in profit or loss.

Interest income is calculated by multiplying the book value of the financial asset with the effective interest rate.

Financial assets are considered credit-impaired if the issuer or debtor exhibits major financial distress, default, likely bankruptcy, financial restructuring, or any financial difficulty that may render the financial asset no longer available on the active market.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instrument investments measured at fair value through other comprehensive income

For equity instrument investments that are neither held for trading nor recognized/received as a consideration for business acquisition, the Company is entitled to an irrevocable option to account them at fair value through other comprehensive income at initial recognition.

Equity instrument investments measured at fair value through other comprehensive income are measured at fair value; subsequent fair value changes are recognized in other comprehensive income and accumulated under other equity. Upon disposal of investments, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified as profit or loss.

Dividends from equity instrument investments measured at fair value through other comprehensive income are recognized in profit or loss when the entitlement to receive is confirmed, unless the dividends clearly represent a partial recovery of the investment cost.

(2) Impairment of financial assets

At the end of each reporting period, the Company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) based on expected credit losses.

All accounts receivable have loss provisions recognized based on expected credit losses over their duration. For other financial assets, the Company first evaluates whether there is significant increase in credit risk since initial recognition. If there is no significant increase in credit risk, loss provisions are recognized based on 12-month expected credit loss; if there is significant increase in credit risk, loss provisions are recognized based on expected credit loss over the remaining duration.

Expected credit losses are determined as average credit loss weighted against the risk of default. 12-month expected credit losses represent the amount of expected credit losses that the financial instrument is likely to incur due to default event in the next 12 months, whereas expected credit losses for the remaining duration represent the amount of credit losses that the financial instrument is likely to incur due to all possible default events for the remaining duration.

For the purpose of internal credit risk management, a financial asset is deemed to have defaulted in any of the following circumstances, without considering the presence of collaterals:

A. There is internal or external information to indicate that the debtor is unable to settle outstanding debts.

B. Payment is overdue for more than 365 days, unless there is reasonable and supportable information to demonstrate that a postponed default criterion is more appropriate.

All impairment losses on financial assets are recognized using allowance accounts, which reduce the book value of the corresponding financial asset.

(3) Derecognition of financial assets

Financial assets can be derecognized from the balance sheet only if all contractual cash flow entitlements from the financial assets have ended, or if the financial assets have been transferred with virtually all risks and returns assumed by another party.

The difference between the book value of a financial asset measured at amortized cost and the amount of consideration received for the asset's derecognition is recognized in profit or loss. When a equity instrument measured at fair value through other comprehensive income is derecognized from the balance sheet, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified as profit or loss.

2. Financial Liabilities

(1) Subsequent measurement

Financial liabilities that are neither held for trading nor designated to be measured at fair value through profit or loss are measured at amortized cost using the effective interest method.

Financial liabilities held by the Company measured at fair value through profit or loss mainly comprise financial liabilities held for trading; any gains or losses from subsequent remeasurement are recognized in other gains or losses. See Note 26 for details regarding the fair value method.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities from the balance sheet, any differences between the book value and the consideration paid are recognized as profit or loss.

3. Derivatives

The Company utilizes derivatives including currency forwards and interest rate swaps; they are used for the management of exchange rate risks.

Derivatives are recognized at fair value at the time the contracts are signed, and subsequently remeasured at fair value at each balance sheet date. Gains or losses arising from subsequent remeasurements are recognized directly in profit or loss. Derivatives with positive fair values are presented as financial assets; those with negative fair values are presented as financial liabilities.

(XI) Liability reserve

Liability reserves are recognized to account for the risk and uncertainty of obligations. It represents the best estimate of the cash outlay needed to settle obligations at the end of the reporting period. Liability reserves are measured by estimating the present discounted value of cash flows needed to settle obligations.

Warranty

Warranty obligations for products that meet the agreed specifications represent the management's best estimate about the amount of cash outlay that the Company has to incur to settle its obligations. These liabilities are recognized when revenues have been recognized on corresponding products.

(XII) Revenue recognition

The Company first identifies performance obligations in contracts it signs with customers, then divides and allocates the transaction sums to various obligations, and recognizes revenue when each obligation is fulfilled.

1. Revenue from sale of merchandise

Revenue from sale of merchandise refers to the sale of barcode printers, parts, and accessories. The Company recognized the revenue as accounts receivable upon the transfer of the controlling rights of the products to the customers. Controlling rights mainly refer to the customers who already have the rights for pricing and use of the products, have main responsibilities for their re-sale, and bear the risk of product obsolescence. The timing of transfer is to be decided based on the transaction terms agreed with the customers (such as, the goods have arrived at the designated location before shipment or at the destination port for loading and so on that satisfy the timing of the contract obligation). Advance receipts collected before the completion of sales of merchandise are recognized as contractual liabilities, and are reclassified as revenue when the controlling rights of the merchandise have been transferred.

Raw materials that are outsourced for processing involve no transfer of ownership or control, therefore no revenue is recognized on the transaction.

2. Service income

Service income is generated from warranty extension, and is initially recognized as contractual liability at the time when proceeds are collected from customers. The duration of service ranges from 1 year to 5 years. The amount contains no significant financing component.

Income is recognized monthly using the straight line method over the duration of service contracts, as customers use up warranty coverage offered by the Company.

3. Dividend and interest income

Dividend income from investment is recognized when shareholders' entitlement has been established, provided that economic benefits of such a transaction are very likely to be received by the Company, and that the amount of income can be measured reliably.

Interest income on financial assets is recognized when the Company is very likely to realize the associated economic benefits, and that the amount of income can be measured reliably. Interest income is recognized by applying the applicable effective interest rate on outstanding principal over the duration of time elapsed.

(XIII) Leases

The Company evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of contract establishment.

1. Where the Company is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership of the underlying asset to the lessee. All other lease arrangements are classified as operating lease.

Proceeds received from operating leases net of lease incentives are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

The Company recognizes right-of-use assets and lease liabilities from the lease start date for each lease arrangement, except for exempted low-value underlying assets and short-term leases where expenses are recognized on a straight-line basis over the lease tenor.

Right-of-use assets are initially measured at cost (mainly the initial amount of lease liability), and subsequently at cost less accumulated depreciation and impairment with adjustments made to the remeasurement of lease liability. Right-of-use assets are presented individually on the standalone balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of the useful life or until expiry of the lease tenor, whichever the earlier.

Lease liabilities are measured at the present value of lease payments (mostly fixed payments) at initiation. Lease payments are discounted at the implicit interest rate if it can be determined easily. If the interest rate cannot be determined easily, the lessee's incremental borrowing rate is used instead.

Subsequently, lease liability is measured at cost after amortization using the effective interest method, whereas interest expense is amortized over the lease tenor. If there is any change to the amounts to be paid over the lease tenor that leads to changes in future lease payments, the Company will remeasure its lease liabilities and make corresponding adjustments to right-of-use assets. If, however, the book value of right-of-use assets has already been reduced to zero, any remaining remeasurements are recognized in profit or loss. Lease liabilities are presented individually on the standalone balance sheet.

(XIV) Borrowing costs

All borrowing costs are recognized through profit or loss in the year in which they occur.

(XV) Employee benefits

1. Shor-term employee benefits

Liabilities associated with short-term employee benefits are measured at the non-discounted amount of cash that the Company expects to pay in exchange for employees' services.

2. Retirement benefits

For defined contribution plans, the amount of contributions that is appropriated to pension funds over the duration of employees' services is recognized as expense.

For defined benefit plans, the cost of benefits (including service cost, net interest, and effect of remeasurement) is estimated using the projected unit credit method. Current service costs and net interests on net defined benefit liabilities are recognized as employee benefit expense at the time incurred. Effects of remeasurement (including actuarial gains/losses and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit or loss in subsequent periods.

Net defined benefit liabilities represent the shortfall of contributions made to the defined benefit plan.

(XVI) Shares-based Payment Agreement

Vested employee stock options

Employee stock options are measured based on the fair value of equity instruments and the best quantity estimate on the grant date. Expenses are recognized on a straight-line basis over the vesting period with simultaneous adjustments made to capital surplus - employee stock options. If stock options are vested on the day granted, then all expenses are to be recognized on the grant date. The Company designates the board approval date as the grant date.

The Company revises its estimate on the amount of employee stock options to be vested at the end of each reporting period. If any amendment is made to the original estimate, its effect is recognized in profit or loss so that cumulative expenses can accurately reflect the amended estimate. Meanwhile, corresponding adjustments are made to capital surplus - employee stock options.

(XVII) Income taxes

Income tax expense represents the sum of current year's income tax and deferred income tax.

1. Current income tax

Pursuant to the Income Tax Act of R.O.C, undistributed earnings are subject to additional income tax, which is recognized in the year shareholders resolve to retain the earnings.

Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred income tax

Deferred income taxes are tax effects of temporary differences deriving from the different book value of assets and liabilities presented in the financial statement and those reported for tax filing. Assets and liabilities that arise as a result of transactions other than acquisitions of subsidiaries and present no impact on taxable income or accounting profit at initial recognition do not have temporary differences recognized as deferred income tax assets and liabilities. Furthermore, no deferred income tax liability is recognized on taxable temporary differences that arise from the initial recognition of goodwill in subsidiary investments.

Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized under the condition that the Company is very likely to generate taxable income in the future to offset deductible temporary differences, research and development expenses, and training expenses.

Taxable temporary differences relating to investments in subsidiaries are recognized as deferred income tax liabilities. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to realize the temporary differences, and that reversal is expected in the foreseeable future.

The book value of deferred income tax asset is re-assessed at the end of each reporting period. The Company will reduce the book value when it is no longer highly likely to generate enough taxable income to realize part or all of the assets. The book value of unrecognized deferred income tax assets is re-assessed at the end of each reporting period. The Company will increase the book value when it is highly likely to generate enough taxable income to realize part or all of the assets.

Deferred income tax assets and liabilities are measured using the tax rate applicable at the time the liability/asset is expected to be settled/realized. This tax rate is determined based on the tax rate and tax laws prevailing at the end of the reporting period. Deferred income tax liabilities and assets represent tax impacts of the method by which the Company expects to recover or settle the book value of its assets and liabilities at the end of the reporting period.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in profit or loss, except for current and deferred income taxes related to items recognized in other comprehensive income or directly listed under equity items, which are also recognized in other comprehensive income or directly listed under equity.

V. Key Sources of Uncertainty in Significant Accounting Judgements, Estimates and Assumptions

With regard to the adoption of accounting policies by the Company, management must make judgments, estimates and assumptions based on historical experience and other relevant factors if relevant information is not readily available from other sources. The actual outcome may be different from the estimates.

The Company incorporates the potential near-term influence of COVID-19 on Taiwan's development and economic environment into the major accounting estimates such as cash flows, growth, discount rates and profitability. Management will continue to review these estimates and assumptions. If an estimated change only affects the current period, the change shall be recognized during the period. If a change of accounting estimates affects both the current and future periods, the change shall be recognized during the current and future periods.

Impairment of goodwill in subsidiary investments

When assessing goodwill impairment in subsidiary investments, the Company first allocates the amount of goodwill acquired through business combination on the acquisition date into the cash-generating units that are expected to benefit from synergies created by the combination, and then estimates the use value of each cash-generating unit that is allocated goodwill. To calculate the use value, the management is required to estimate future cash flows for each cash-generating unit that has goodwill allocated to it, and determine the appropriate discount rate to be used for calculating present value. If the actual cash flow is lesser than expected, or if there are changes to the facts and situations that result in amendments to the cash flow either for lower or a higher discount rate, these may generate major impairment losses.

VI. Cash and Cash Equivalents

	Dec. 31, 2022	Dec. 31, 2021
Vault cash and petty cash	$ 50	$ 50
Bank demand deposit	157,235	546,989
Cash equivalents		
Fixed-term bank deposits with original maturity within three months	176,360	336,810
Bills sold under repurchase agreements	500,000	-
	$ 833,645	$ 883,849

Range of market interest rates applicable to bank demand deposits, time deposits, and bills sold under repurchase agreements as of the balance sheet date is shown below:

	Dec. 31, 2022	Dec. 31, 2021
Bank demand deposit	0.001%~4%	0.001%~0.24%
Fixed-term deposits	1.2%~1.4%	0.25%~2.15%
Bills sold under repurchase agreements	0.98%-1.02%	-

VII. Financial instruments measured at fair value through profit or loss

	Dec. 31, 2022	Dec. 31, 2021
Financial Assets – Current		
Designated at fair value through profit or loss		
Derivatives (non-hedging)		
－Currency forward contracts (1)	$ -	$ 1,484
－Currency swaps (2)	1,798	1,577
	$ 1,798	$ 3,061
Financial Liabilities – Current		
Held for trading		
Derivatives (non-hedging)		
－Currency forward contracts (1)	$ 436	$ 114
－Currency swaps (2)	1,548	329
	$ 1,984	$ 443

(I) A summary of the outstanding currency forward contracts not under hedge accounting as of the balance sheet date is as follows:

Dec. 31, 2022

	Currency	Maturity	Nominal value (NT$ thousand)
Short forwards	USD to NTD	Feb. 17, 2023	USD 2,000 /NTD 60,718

Dec. 31, 2021

	Currency	Maturity	Nominal value (NT$ thousand)
Short forwards	Euro to NTD	Jan. 14, 2022 to Feb. 16, 2022	EUR 5,000/NTD 157,122
	USD to NTD	Jan. 21, 2022 to Apr. 8, 2022	USD 12,000/NTD 333,179

The Company primarily engages in currency forward transactions to hedge the risks associated with exchange rate fluctuations for assets and liabilities denominated in foreign currencies.

(II) A summary of the outstanding currency swap contracts not under hedge accounting as of the balance sheet date is as follows:

Dec. 31, 2022

	Nominal value (NT$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 7,200/NTD 219,593	29.663~30.901	Feb. 17, 2023 to May 19, 2023

Dec. 31, 2021

	Nominal value (NT$ thousand)	Exercise exchange rates	Maturity
Currency swaps	USD 7,000/NTD 195,410	27.845~28.01	Jan. 18, 2022 to Mar. 21, 2022
	NTD 83,394/USD 3,000	27.784~27.805	Jan. 20, 2022

The Company primarily engages in currency swap transactions to hedge the risks associated with exchange rate fluctuations for assets denominated in foreign currencies.

VIII. Financial assets measured at fair value through other comprehensive incomes

	Dec. 31, 2022	Dec. 31, 2021
Equity Instrument Investments – Non-Current		
Domestic investments		
TPEx-listed stocks	$ 1,098,160	$ 1,068,960

The Company invests in ordinary shares listed on the TPEx for mid-to-long term strategic purposes and seeks to profit from long-term investments. The Company's management does not think recognizing the short-term fair value volatility of such investments as profit or loss aligned with the long-term investment planning abovementioned. Therefore, management decided to designate such investments measured at fair value through other comprehensive incomes.

IX. Notes and Accounts Receivable

	Dec. 31, 2022	Dec. 31, 2021
Receivables		
Notes receivable	$ 536	$ 221
Accounts receivable	289,518	379,897
Less: allowance for losses	(6,058)	(6,058)
	$ 283,996	$ 374,060

Accounts receivable

The Company's average credit period for products sold is 60 to 75 days based on monthly statements. Accounts receivable do not accrue interests. Before accepting new customers, the Company assesses the credit quality of the potential customers and determines the credit allowance for such customers through internal credit evaluation procedures. The credit allowance and ratings for customers are periodically reviewed according to actual requirements. When determining the recoverability of accounts receivable, the Company takes into account any change of the credit quality from the original credit date to the balance sheet date. It refers to past late payments and current financial statuses of counterparties. The unrecoverable amount of receivables is reviewed and estimated case by case in order to recognize an appropriate allowance for credit losses for the receivables that may not be recovered. Hence, the Company's management believes that the Company's credit risks have been significantly reduced.

In addition to the recognition of allowance for credit losses for individual customers experiencing credit impairment, the Company recognizes an allowance for expected credit loss during the lifetime of receivables. Expected credit losses for the duration of accounts are calculated using a preparation matrix, which takes into consideration a customer's default history, current financial position, prospects of the industry and economy, the current state of the operating environment, GDP forecast, and unemployment rate. Since the Company's previous credit loss records showed no significant difference in loss pattern across customer groups, the preparation matrix did not distinguish between customer groups, but merely set the expected credit loss rate based on the number of days overdue. 100% loss provision is recognized on accounts receivable that are overdue for more than one year and without credit guarantee.

If there is evidence indicating a counterparty is in severe financial difficulty (such as in liquidation) and the Company cannot reasonably expect to recover the amount, the Company will write off the relevant receivables but will continue to pursue the payments. Any recovered amount will be recognized in profit or loss.

The Company uses a provision matrix to measure the allowance for losses of receivables as follows:

Dec. 31, 2022

	No sign of defaults							
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-365 days	Overdue by 365 days	Sign of defaults	Total
Total account value	$ 226,605	$ 59,188	$ 178	$ 154	$ -	$ 358	$ 3,035	$ 289,518
Allowance for losses (lifetime expected credit losses)	(2,226)	(372)	(23)	(44)	-	(358)	(3,035)	(6,058)
Amortized cost	$ 224,379	$ 58,816	$ 155	$ 110	$ -	$ -	$ -	$ 283,460

Dec. 31, 2021

	No sign of defaults							
	Not overdue	Overdue by 1-90 days	Overdue by 91-180 days	Overdue by 181-270 days	Overdue by 271-365 days	Overdue by 365 days	Sign of defaults	Total
Total account value	$ 247,362	$ 108,643	$ 20,274	$ 583	$ -	$ -	$ 3,035	$ 379,897
Allowance for losses (lifetime expected credit losses)	(1,314)	(693)	(920)	(96)	-	-	(3,035)	(6,058)
Amortized cost	$ 246,048	$ 107,950	$ 19,354	$ 487	$ -	$ -	$ -	$ 373,839

Change to allowance of losses of receivables is as follows:

	2022	2021
Balance at the beginning of the year	$ 6,058	$ 4,582
Add: credit loss during the year	-	1,476
Less: actual charge-offs made in the current year	-	-
Balance at the end of the year	$ 6,058	$ 6,058

X. Inventory

	Dec. 31, 2022	Dec. 31, 2021
Finished goods	$ 85,808	$ 25,763
Semi-finished goods	144,825	133,139
Work in process	24,143	15,731
Raw materials	306,267	272,509
	$ 561,043	$ 447,142

Cost of goods sold by nature:

	2022	2021
Inventory cost for sold goods	$ 2,427,756	$ 2,084,661
Loss for market price decline and obsolete inventory (Gain from price recovery)	19,500	(800)
	$ 2,447,256	$ 2,083,861

2021 Gain on reversal of obsolete inventory is due to the obsolete inventory is transferred for use by R&D department.

XI. Equity-accounted investments

Investments in subsidiaries

	Dec. 31, 2022	Dec. 31, 2021
Non-listed companies		
TSC Auto ID Technology EMEA GmbH（TSCAE）	($ 18,046)	$ 5,912
TSC Auto ID Technology America, Inc.（TSCAA）	1,077,842	946,970
TSC Auto ID (H.K.) LTD.（TSCHK）	570,382	502,798
Printronix Auto ID Technology Co., Ltd. (“Printronix Auto ID Technology”)	5,259	5,426
Printronix Auto ID Technology Inc.（PTNX US）	-	45,137
Diversified Labeling Solutions, Inc.（DLS）	1,224,938	927,957

TSC Auto ID Technology India Private limited（TSCIN）	1,601	2,580
	2,861,976	2,436,780
Add: Credit balance of equity-accounted investments transferred to non-current liabilities	18,046	-
	$ 2,880,022	$ 2,436,780

The Company's ownership interests and voting rights in subsidiaries as of the balance sheet date are as follows:

	Dec. 31, 2022	Dec. 31, 2021
TSCAE	100%	100%
TSCAA	100%	100%
TSCHK	100%	100%
Printronix Auto ID Technology	100%	100%
PTNX US (95% owned by TSCAA)	-	5%
DLS	100%	100%
TSC IN	100%	100%

Note 1: For the purpose of simplifying the group organization structure and increase operation efficiency, the Company's Board of Directors resolved for the transfer of 5% of the shares held by the Company for the sub-subsidiary PTNX US to its subsidiary TSCAA in USA on Jun. 28, 2022. This transaction is considered organization re-structuring within the Group under common control and it does not affect the control by the Company.

Note 2: The Company invested and established TSC Auto ID Technology India Private limited (TSCIN) in Sep. 2021.

Note 3: Share of profit recognized in 2022 and 2021 from equity-accounted subsidiary investments outstanding as of Dec. 31, 2022 and 2021, totaled NT$329,454 thousand and NT$218,452 thousand, respectively. These amounts were calculated based on the financial statements of the respective subsidiaries audited by the Company's CPAs and other CPAs for the corresponding periods.

Note 4: The Company indirectly holds the investments in subsidiaries transactions. Please refer to Note 30.

XII. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other equipment	Total
Cost					
Balance on Jan. 1, 2021	$ 225,340	$ 279,178	$ 309,401	$ 42,173	$ 856,092
Additions	-	533	2,926	3,865	7,324
Retirements	-	(257)	(905)	(3,082)	(4,244)
Reclassification from prepayment for equipment purchase	-	-	5,493	-	5,493
Balance on Dec. 31, 2021	$ 225,340	$ 279,454	$ 316,915	$ 42,956	$ 864,665
Accumulated depreciation					
Balance on Jan. 1, 2021	$ -	$ 93,024	$ 236,013	$ 35,243	$ 364,280
Retirements	-	(257)	(905)	(3,082)	(4,244)
Depreciation expense	-	6,751	20,545	2,691	29,987
Balance on Dec. 31, 2021	$ -	$ 99,518	$ 255,653	$ 34,852	$ 390,023
Net balance as of Dec. 31, 2021	$ 225,340	$ 179,936	$ 61,262	$ 8,104	$ 474,642
Cost					
Balance on Jan. 1, 2022	$ 225,340	$ 279,454	$ 316,915	$ 42,956	$ 864,665
Additions	-	-	5,043	10,762	15,805
Retirements	-	-	(133)	(8,919)	(9,052)
Reclassification from prepayment for equipment purchase	-	-	3,331	49	3,380
Balance on Dec. 31, 2022	$ 225,340	$ 279,454	$ 325,156	$ 44,848	$ 874,798
Accumulated depreciation					
Balance on Jan. 1, 2022	$ -	$ 99,518	$ 255,653	$ 34,852	$ 390,023
Retirements	-		(133)	(8,919)	(9,052)
Depreciation expense	-	6,850	19,164	3,739	29,753
Balance on Dec. 31, 2022	$ -	$ 106,368	$ 274,684	$ 29,672	$ 410,724
Net balance as of Dec. 31, 2022	$ 225,340	$ 173,086	$ 50,472	$ 15,176	$ 464,074

Depreciation is recognized in a straight line method according to following service lives:

Buildings and structures	
Offices	52 years
Factories and auxiliary equipment	17-37 years
Indoor decoration engineering	5 years
Machinery and molding equipment	6-7 years
Office and other equipment	5-7 years

Property, plant and equipment showed no sign of impairment in 2022 and 2021, hence the Company did not perform impairment assessment.

XIII. Lease agreements

(I) Right-of-use assets

	Dec. 31, 2022	Dec. 31, 2021
Carrying amount of right-of-use assets		
Buildings	$ 1,417	$ 5,041
Transportation equipment	-	203
	$ 1,417	$ 5,244

	2022	2021
Purchase of right-of-use assets	$ 1,411	$ 4,441
Depreciation of right-of-use assets		
Buildings	$ 4,062	$ 3,662
Transportation equipment	90	288
	$ 4,152	$ 3,950

(II) Lease liabilities

	Dec. 31, 2022	Dec. 31, 2021
Carrying amount of lease liabilities		
Current	$ 1,528	$ 5,305
Non-current	$ -	$ 2,270

The range of the discount rates for lease liabilities is as follows:

	Dec. 31, 2022	Dec. 31, 2021
Buildings	2.20%	2.20%～6.50%
Transportation equipment	-	2.20%

(III) Important activities and clauses as a lessee

The Company rents certain buildings as offices and factories and transportation equipment as business vehicles. The lease period is 1-5 years.

(IV) Other information on leases

	2022	2021
Short-term lease expenses	$ 1,238	$ 816
Low-value asset lease expenses	$ 251	$ 222
Total cash (outflow) for leases	($ 5,631)	($ 4,444)

The Company chooses to exempt the recognition of office equipment leases qualified for short-term leases and low-value asset leases. In other words, no right-of-use assets or liabilities will be recognized for such leases.

XIV. Intangible assets

	Patents	Knowhow & technology	Software	Trademarks	Total
Cost					
Balance on Jan. 1, 2021	$ 50,607	$ 12,401	$ 90,337	$ 135	$ 153,480
Acquisition by separate purchase	-	-	14,999	-	14,999
Balance on Dec. 31, 2021	$ 50,607	$ 12,401	$ 105,336	$ 135	$ 168,479
Accumulated amortization					
Balance on Jan. 1, 2021	$ 31,629	$ 7,647	$ 57,008	$ 135	$ 96,419
Amortization expenses	6,326	2,480	15,195	-	24,001
Balance on Dec. 31, 2021	$ 37,955	$ 10,127	$ 72,203	$ 135	$ 120,420
Net balance as of Dec. 31, 2021	$ 12,652	$ 2,274	$ 33,133	$ -	$ 48,059
Cost					
Balance on Jan. 1, 2022	$ 50,607	$ 12,401	$ 105,336	$ 135	$ 168,479
Acquisition by separate purchase	-	-	13,909	-	13,909
Balance on Dec. 31, 2022	$ 50,607	$ 12,401	$ 119,245	$ 135	$ 182,388
Accumulated amortization					
Balance on Jan. 1, 2022	$ 37,955	$ 10,127	$ 72,203	$ 135	$ 120,420
Amortization expenses	6,326	2,274	17,916	-	26,516
Balance on Dec. 31, 2022	$ 44,281	$ 12,401	$ 90,119	$ 135	$ 146,936
Net balance as of Dec. 31, 2022	$ 6,326	$ -	$ 29,126	$ -	$ 35,452

Amortization is recognized in a straight line method according to following service lives:

Patents	8 years
Knowhow & technology	5 years
Software cost	1-5 years
Trademarks	6 years

Intangible assets with limited useful lives showed no sign of impairment in 2022 and 2021, hence the Company did not perform impairment assessment.

XV. Loans

(I) Short-term loans

	Dec. 31, 2022	Dec. 31, 2021
Unsecured loans	$ 876,515	$ 550,706
Annual interest rate (%)	1.63%～5.49%	0.46%～1.02%
Final maturity	Mar. 28, 2023	Mar. 20, 2022

(II) Long-term loans

	Dec. 31, 2022	Dec. 31, 2021
Unsecured loans	$ 620,000	$ 900,000
Less: portion due within one year	(63,000)	(65,000)
	$ 557,000	$ 835,000
Annual interest rate (%)	1.4%~1.5%	1%
Final maturity	Oct. 14, 2025	Jul. 22, 2024

To enhance mid-term working capital, the Company has signed loan agreements with different banks and paid interest incurred periodically. Before the expiry of contracts, short-term loans can be made within the revolving credit lines. There are no revolving credit lines for mid-term or long-term loans. The maturity dates above are based on the end dates of the loan periods.

XVI. Other payables

	Dec. 31, 2022	Dec. 31, 2021
Current		
Employees' remuneration payable	$ 65,458	$ 42,545
Salaries and bonuses payable	62,248	64,642
Directors' remuneration payable	32,729	31,909
Insurance premiums payable	9,174	8,661
Service fees payable	7,978	4,872

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	Dec. 31, 2022	Dec. 31, 2021
R&D expenses payable	$ 7,914	$ 11,991
Equipment amount payable	4,035	5,170
Others	33,274	21,115
	$ 222,810	$ 190,905

XVII. Retirement benefit plan

(I) Defined contributions

The pension scheme introduced under the "Labor Pension Act" that the Company uses is a government-managed defined contribution plan, for which the Company is required to contribute an amount equal to 6% of employees' monthly salaries into their individual pension accounts held with the Bureau of Labor Insurance.

(II) Defined benefits

The Company is also subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and 6-month average salary leading up to their retirement. The Company makes monthly pension contributions equivalent to 2% of employees' monthly salaries into an account held under the Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year at the end of each year, the Company will reimburse the shortfall in one contribution by no later than the end of Mar. next year. The account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

The following amounts relating to the defined benefit plan have been recognized on the standalone balance sheet:

	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligations	$ 18,399	$ 22,831
Fair value of plan assets	(3,445)	(3,100)
Net defined benefit liability	$ 14,954	$ 19,731

Changes in net defined benefit liability:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Jan. 1, 2021	$ 25,778	($ 2,918)	$ 22,860
Service costs			
Service costs for the current year	-	-	-
Interest expense (income)	200	(22)	178
Recognized in profit or loss	200	(22)	178
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(38)	(38)
Actuarial loss - change in demographic assumption	783	-	783
Actuarial loss - change in financial assumption	167	-	167
Actuarial gain - adjustment based on past experience	(388)	-	(388)
Recognized in other comprehensive income	562	(38)	524
Employer's contribution	-	(840)	(840)
Benefits paid	(3,709)	718	(2,991)
Dec. 31, 2021	22,831	(3,100)	19,731
Service costs			
Service costs for the current year	-	-	-
Interest expense (income)	171	(24)	147
Recognized in profit or loss	171	(24)	147
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(216)	(216)
Actuarial loss - change in demographic assumption	-	-	-
Actuarial gain - change in financial assumption	(3,739)	-	(3,739)
Actuarial gain - adjustment based on past experience	(864)	-	(864)
Recognized in other comprehensive income	(4,603)	(216)	(4,819)
Employer's contribution	-	(105)	(105)
Benefits paid	-	-	-
Dec. 31, 2022	$ 18,399	($ 3,445)	$ 14,954

The Company is exposed to the following risks due to adoption of the pension scheme introduced under the “Labor Standards Act”:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, manages the labor pension fund either on its own or through mandate. The labor pension fund is allocated into equity securities, debt securities, and bank deposits in Taiwan and abroad; however, the Company estimates a return on plan assets at a rate no lower than the 2-year time deposit rate offered by local banks.
2. Interest rate risks: A decrease in government and corporate bond yields would increase the present value of defined benefit obligations while at the same time increase the return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risks: The present value of defined benefit obligations is calculated by taking into consideration plan participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate	2.0%	0.750%～0.875%
Expected salary increase	2.5%	2.5%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	Dec. 31, 2022	Dec. 31, 2021
Discount rate		
0.25% increase	($ 653)	($ 914)
0.25% decrease	$ 683	$ 959
Expected salary increase		
0.25% increase	$ 670	$ 932
0.25% decrease	($ 645)	($ 893)

Actuarial assumptions tend to be intercorrelated. It is unlikely to see only one assumption changing at one time, therefore the above sensitivity analysis may not truly reflect changes in the present value of defined benefit obligations.

	Dec. 31, 2022	Dec. 31, 2021
Expected contributions within 1 year	$ 103	$ 130
Average maturity of defined benefit obligations	15.24-21.19 years	16.17-22 years

XVIII. Equity

(I) Ordinary share capital

	Dec. 31, 2022	Dec. 31, 2021
Authorized shares (thousand shares)	80,000	80,000
Authorized share capital	$ 800,000	$ 800,000
Issued shares (thousand shares)	42,513	42,477
Issued share capital	$ 425,129	$ 424,769

The face value per ordinary share issued is NT$10. Each share is entitled to one voting right and one right to dividends.

(II) Capital surplus

	Dec. 31, 2022	Dec. 31, 2021
May be used to offset losses, issue cash or appropriate to share capital (1)		
Premium of share issuance	$ 423,085	$ 416,789
Difference between the actual disposal price and book value of the subsidiaries' equity	1,984	-
May be used to offset losses only		
Lapsed stock options	122,907	122,840
Exercised employee stock options	22,210	20,556
May not be used for any purposes (2)		
Employee stock options	45,659	32,667
	$ 615,845	$ 592,852

1. This type of capital surplus may be used to offset losses or to issue cash dividends or appropriate share capital in the absence of

losses. Share capital appropriation is limited to a certain percentage of paid-in capital each year.

2. Capital surplus generated due to the issuance of employee stock options may not be used for any purposes.

(III) Retained earnings and dividend policy

According to the earnings distribution policy stated in the Company's Articles of Incorporation, any earnings for the year should be used to pay taxes according to laws, offset losses from prior years and then appropriate 10% as legal reserves and recognize or reverse any special reserves required by laws. The remaining balance, along with accumulative and undistributed earnings from the previous year, may be used for earnings distribution. However, a portion may be reserved for business needs before the issuance of dividends to shareholders. The Company is in a growth stage. To fund the future operation and development, the Board of Directors proposes the earnings distribution and the issuance of dividends to shareholders is proceeded after resolution from the shareholders' meeting. The Company's policy regarding employees' remuneration and directors' remuneration is stated in the Articles of Incorporation. Please refer to Note 20 (7) for employees' remuneration and directors' remuneration.

According to the Company's Articles of Incorporation, the percentage of earnings to be distributed according to the resolution, in principle, may not fall below 10% of the distributable earnings for the year. Dividends may be issued in cash or with shares. The percentage of dividends distributed in cash may not fall below 10% of the total dividends. However, stock dividends will be issued in lieu of cash dividends below NT$0.2 per share.

Appropriation to the legal reserve shall continue and may stop when the legal reserve reaches the same amount as the paid-in capital. The legal reserve may be used to offset losses. If the legal reserve exceeds 25% of the paid-in capital and there are no losses, the exceeding portion may be distributed in cash.

Appropriation of 2021 and 2020 earnings, as shown below, were resolved in the Company's shareholder meetings:

	Earnings distribution		Dividend per share (NT$)	
	2021	2020	2021	2020
Legal reserve	$ 78,396	$ 71,715		
Cash dividends	467,246	424,769	$ 11	$ 10
	$ 545,642	$ 496,484		

Details of the 2022 earnings appropriation plan and dividends per share proposed by the board of directors in the meeting dated Mar. 15, 2023, are as follows:

	Earnings distribution	Dividend per share (NT$)
Legal reserve	$ 96,973	
Stock dividends	42,522	$ 1
Cash dividends	552,785	$ 13
	$ 692,280	

The above earnings distribution proposal is still pending for shareholder meeting resolution in Jun. 2023.

(IV) Other equity

1. Exchange differences on translation of financial statements of foreign operations

	2022	2021
Balance at the beginning of the year	($ 294,269)	($ 233,777)
Incurred in the current year		
Exchange differences on translation of financial statements of foreign operations	248,899	(75,615)
Relevant income taxes	(48,006)	15,123
Disposal of foreign subsidiaries' equity	(8,871)	-
Balance at the end of the year	($ 102,247)	($ 294,269)

2. Unrealized gain (loss) of financial assets measured at fair value through other comprehensive incomes

	2022	2021
Balance at the beginning of the year	$ 647,451	$ 424,411
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive incomes	(55,335)	223,040
Balance at the end of the year	$ 592,116	$ 647,451

XIX. Income

	2022	2021
Revenue from contracts with customers		
Revenue from sale of merchandise	$ 3,836,804	$ 3,239,980
Service and other income	29,075	26,249
	$ 3,865,879	$ 3,266,229

(I) Explanations of revenue from contracts with customers

In addition to the following explanations, please also refer to the explanations provided in (XII) of Note 4 - Summary of Material Accounting Policies.

The Company primarily sells barcode printers and relevant components to China, Taiwan, other parts of Asia, Europe and the Americas.

According to the Company's agreement with distributors, if the purchase of certain models by distributors reaches the contracted volume, the Company will provide incentives at a percentage of the procurement value or retrospective unit price reductions for certain models. Based on past experiences and considering various agreement terms and conditions, the Company estimates the possible rewards and incentives amount and recognizes refund liabilities (as other current liabilities) accordingly. As of Dec. 31, 2022, the Company estimates the refund liabilities to be NT$2,252 thousand.

(II) Breakdown of revenue from contracts with customers

Please see Account 8 in the details of major accounting items for a more detailed breakdown of income.

XX. Additional information about net income during the year

Net income during the year includes the following:

(I) Interest income

	2022	2021
Bank deposits	$ 2,530	$ 3,186
Bills sold under repurchase agreements	752	-
Lending of capital	7,712	3,864
	$ 10,994	$ 7,050

(II) Other incomes

	2022	2021
Dividend income	$ 37,000	$ 20,400
Others	7,021	5,435
	$ 44,021	$ 25,835

(III) Other gains and losses

	2022	2021
Net foreign exchange gain (loss)	$ 100,850	($ 2,466)
Financial instruments measured at fair value through profit or loss	(49,450)	10,693
Gain on lease amendment	621	-
Other losses	(77)	(5)
	$ 51,944	$ 8,222

(IV) Financial cost

	2022	2021
Bank loan interests	$ 19,455	$ 13,949
Lease liability interests	90	171
	$ 19,545	$ 14,120

(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	$ 29,753	$ 29,987
Right-of-use assets	4,152	3,950
Intangible assets	26,516	24,001
	$ 60,421	$ 57,938
Deprecation by function		
Operating costs	$ 25,500	$ 26,740
Operating expenses	8,405	7,197
	$ 33,905	$ 33,937
Amortization by function		
Operating costs	$ 751	$ 497
Operating expenses	25,765	23,504
	$ 26,516	$ 24,001

(VI) Employee benefit expenses

	2022	2021
Shor-term employee benefits	$ 406,572	$ 343,933
Retirement benefits		
Defined contributions	11,980	10,462
Defined benefits (Note 17)	147	178
Share-based payment (Note 23)		
Equity settled	$ 14,713	$ 15,187
Other employee benefits	14,728	13,265
Total employee benefit expenses	$ 448,140	$ 383,025
Summary by function		
Operating costs	$ 142,914	$ 121,390
Operating expenses	305,226	261,635
	$ 448,140	$ 383,025

(VII) Employees' remuneration and directors' remuneration

In case of profits during the year, the Company shall allocate at least 2% but no more than 10% of the profits as employees' remuneration. The employees' remuneration is issued in cash or wish shares according to the decision by the Board of Directors. Eligible employees include the employees working for controlled or subordinated companies and meeting certain criteria defined by the Board of Directors. The Company may allocate up to 5% of the abovementioned profits as directors' remunerations according to the decision by the Board of Directors. The proposal for distribution of employees' remuneration and directors' remuneration should be reported to the shareholders' meeting. In case of accumulated losses, profits should be used to offset the losses before distributing the aforesaid percentage as employees' remuneration and directors' remuneration. Employees' remuneration and directors' remuneration resolved by directors for 2022 and 2021:

Estimated and recognized percentage

	2022	2021
Employees' remuneration	5.0%	4.0%
Directors' remuneration	2.5%	3.0%

Amount

	2022	2021
Employees' remuneration - cash	$ 65,458	$ 42,545
Directors' remuneration	32,729	31,909
	$ 98,187	$ 74,454
Amounts recognized in standalone financial statements	$ 98,187	$ 74,454

In case of changes in the amounts after the approval and publication of annual standalone financial statements, the difference shall be treated as changes in accounting estimates and recognized during the following year.

The information about the Company's employees' remuneration and directors' remuneration as determined by the Board of Directors is available on Taiwan Stock Exchange's Market Observation Post System.

(VIII) Gain/loss on foreign currency exchange

	2022	2021
Total exchange gain	$ 220,468	$ 92,552
Total exchange loss	(119,618)	(95,018)
Net gain (loss)	$ 100,850	($ 2,466)

XXI. Income taxes

(I) Income taxes recognized in profit and loss

The primary components of income tax expenses are as follows:

	2022	2021
Income tax during the period		
Incurred in the current year	$ 195,068	$ 169,615
Tax on undistributed earnings	11,916	11,033
Adjustment for the previous year	(5,588)	(6,741)
	201,396	173,907
Deferred income tax		
Incurred in the current year	44,668	30,774
Income tax expenses recognized in profit and loss	$ 246,064	$ 204,681

Reconciliation of accounting income and income tax expense:

	2022	2021
Profits before tax	$1,210,973	$ 989,167
Income tax derived by applying the statutory tax rate to pre-tax profit	$ 242,195	$ 197,833
Increase (decrease) from required adjustments	(2,467)	11,816
Tax on undistributed earnings	11,916	11,033
Unrecognized deductible temporary difference	8	(731)
Previous income taxes adjusted in the current year	(5,588)	(6,741)
Tax credit for income source from Mainland China	-	(8,529)
Income tax expenses recognized in profit and loss	$ 246,064	$ 204,681

Given the uncertainty involved in the earnings appropriation in the 2022 annual general meeting, the consequences of the 5% additional income tax on undistributed 2021 earnings cannot be determined reliably.

(II) Income tax directly recognized in equity

	2022	2021
Income tax during the period		
Disposal of subsidiary	$ 1,984	$ -

(III) Income tax recognized under other comprehensive income

	2022	2021
Deferred income tax		
Incurred in the current year		
Income tax (expense) benefit on translation differences from foreign operations	($ 48,006)	$ 15,123

(IV) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2022

Deferred income tax assets	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of the year
Temporary difference				
Unrealized gross profit from associated companies	$ 38,801	$ 18,060	$ -	$ 56,861
Exchange differences from foreign operations	71,276	-	(48,006)	23,270
Others	6,585	8,808	-	15,393
	$ 116,662	$ 26,868	($ 48,006)	$ 95,524

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of the year
Temporary difference				
Investment gains recognized using the equity method	($ 193,310)	($ 67,876)	$ -	($ 261,186)
Others	(524)	(3,660)	-	(4,184)
	($ 193,834)	($ 71,536)	$ -	($ 265,370)

2021

Deferred income tax assets	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of the year
Temporary difference				
Unrealized gross profit from associated companies	$ 41,026	($ 2,225)	$ -	$ 38,801
Exchange differences from foreign operations	56,153	-	15,123	71,276
Others	7,925	(1,340)	-	6,585
	$ 105,104	($ 3,565)	$ 15,123	$ 116,662

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of the year
Temporary difference				
Investment gains recognized using the equity method	($ 166,625)	($ 26,685)	$ -	($ 193,310)
Others	-	(524)	-	(524)
	($ 166,625)	($ 27,209)	$ -	($ 193,834)

(V) As of Dec. 31, 2022 and 2021, the Company had NT$8,242 thousand and NT$8,199 thousand of deductible temporary differences, respectively, that were not recognized as deferred income tax assets on the standalone balance sheet.

(VI) Income tax assessment

The business income tax filings from the Company as profit-seeking enterprises up to 2020 have been assessed by the tax authorities.

XXII. Earnings per Share

	2022	2021
Basic earnings per share	$ 22.71	$ 18.47
Diluted earnings per share	$ 22.45	$ 18.32

The earnings and the weighted average number of ordinary shares for the calculation of earnings per share are as follows:

Current net income

	2022	2021
Net income attributable to the shareholders of the Company	$ 964,909	$ 784,486
Net income used for the calculation of diluted earnings per share	$ 964,909	$ 784,486

No. of shares

Unit: thousand shares

	2022	2021
Weighted average number of ordinary shares used for the calculation of earnings per share	42,492	42,477
Effects of dilutive potential ordinary shares:		
Employee stock options	107	101
Employees' remuneration	390	252
Average weighted number of ordinary shares used for the calculation of dilutive earnings per share	42,989	42,830

The Company can opt to issue employees' remuneration with shares or in cash. The calculation of diluted earnings per share should assume the remuneration is paid with shares. The dilute potential ordinary shares should be included in the weighted average number of shares outstanding for the calculation of diluted earnings per share. The calculation of diluted earnings per share before the decision on the issuance of shares as employees' remuneration in the following year should also take into account the effects of dilutive ordinary shares.

XXIII. Shares-based Payment Agreement

The Company granted 57 employee stock options in Apr. 2021. Each option can subscribe to 1,000 ordinary shares. These options were issued to the employees working for the Company and the subsidies and meeting certain criteria. The time to maturity of these options is five years. The exercisable percentages in different years are as follows:

(I) Up to 50% on the day following two years in issuance.

(II) Up to 75% on the day following three years in issuance.

(III) Up to 100% on the day following four years in issuance.

The exercise price is the closing price of the Company's ordinary shares on the day of issuance. The exercise price shall be adjusted according to the formula in case of change in the Company's ordinary shares.

The information on employee stock options is as follows:

	2022		2021	
Employee stock options	Unit	Weighted average exercise price (NT$)	Unit	Weighted average exercise price (NT$)
Outstanding at the beginning of the period	945	$ 170.8-208.1	1,742	$ 178.5-211.6
Granted during the period	-	-	57	217.5
Exercised during the period	(42)	159.9	-	-
Given up due to departure	(7.5)	-	(45)	-
Expired during the period	-	-	(809)	-
Outstanding at the end of the period	895.5	159.9-194.8	945	170.8-208.1
Exercisable at the end of the period	412	-	-	-
Weighted average fair value of the granted stock options during the period (NT$)	$ -		$ 52.46	
Weighted average time to maturity (years)	2.5~3.27		3.5~4.27	

As of the balance sheet date, the information of the employee stock options outstanding is as follows:

	Employee stock options outstanding	
Range of exercise prices (NT$)	No. of units	Weighted average time to maturity (years)
Dec. 31, 2022		
$ 159.9	868.5	2.5
$ 194.8	27	3.27
Dec. 31, 2021		
$ 170.8	918	3.5
$ 208.1	27	4.27

The valuation of the employee stock options granted in Apr. 2021 is based on the Black-Scholes model, with the inputs as follows:

	Apr. 2021
Share price on granted day	NT$217.5
Exercise price	NT$217.5
Expected volatility	29.98%~31.14%
Time to maturity	3.5-4.5 years
Expected dividend yield	0%
Risk-free rate	0.26%~0.30%

The expected volatility is the annualized standard deviation of the historical returns over the time period equivalent to time to maturity.

Cost of remuneration recognized for 2022 and 2021 amounted to NT$14,713 thousand and NT$15,187 thousand, respectively.

XXIV. Disposal of subsidiaries under the restructuring

The Company signed a share purchase agreement with its subsidiary TSCAA on Jul. 1, 2022 to sell 5% of the Company's shares in PTNX US. This transaction is considered organizational restructuring under common control and is treated as an equity transaction by the Company. Please refer to Note 27 and Note 25 of the Company's consolidated financial statements.

XXV. Capital Risk Management

The policy adopted by the Board of Directors seeks to sustain a robust capital structure, maintain the confidence from investors, creditors and the market and support the operational development going forward. The capital management of the Company intends to protect the going concern capability, continue to create shareholder returns and other stakeholders' interest, maintain the optimal capital structure and reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust shareholders' dividends, reduce capital by returning funds to shareholders, issue new shares, repurchase shares, raise new debts, or repay existing debts.

The Company controls and manages the capital structure based on the liability ratio. This ratio is calculated by dividing total liabilities by total assets. The Company adopts a capital management strategy to keep the liability ratio at no more than 50%, and thereby ensures access to funding at reasonable a cost. The liability ratios for different time periods are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Total liabilities	$ 2,844,726	$ 2,847,513
Total equity	$ 4,750,725	$ 4,088,143
Total assets	$ 7,595,451	$ 6,935,656
Liability ratio	37.45%	41.06%

XXVI. Financial Instruments

(I) Fair value – recurring fair value measurement of financial instruments

1. Fair value hierarchy

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivatives	$ -	$ 1,798	$ -	$ 1,798
Financial assets measured at fair value through other comprehensive incomes				
Marketable securities listed on TPEx -Equity investment	$ 1,098,160	$ -	$ -	$ 1,098,160
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 1,984	$ -	$ 1,984

Dec. 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivatives	$ -	$ 3,061	$ -	$ 3,061
Financial assets measured at fair value through other comprehensive incomes				
Marketable securities listed on TPEx				
-Equity investment	$ 1,068,960	$ -	$ -	$ 1,068,960
Financial liabilities measured at fair value through profit or loss				
Derivatives	$ -	$ 443	$ -	$ 443

There was no transfer between Level 1 and Level 2 fair values in 2022 and 2021.

2. Level 2 fair values – valuation techniques and input values

Types of financial instruments	Valuation techniques and input values
Derivatives – currency forwards and currency swaps	Discounted cash flows: Future cash flows are estimated based on observable forward exchange rates and contract rates at the end of the period and discounted with a rate reflective of credit risks of counterparties.

(II) Types of financial instruments

	Dec. 31, 2022	Dec. 31, 2021
Financial Assets		
Measured at fair value through profit or loss		
Designated at fair value through profit or loss	$ 1,798	$ 3,061
Measured at amortized cost (Note 1)	2,439,257	2,329,587
Equity instrument investments measured at fair value through other comprehensive income	1,098,160	1,068,960
Financial Liabilities		
Measured at fair value through profit or loss		
Held for trading	1,984	443
Measured at amortized cost (Note 2)	2,200,134	2,211,647

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, notes receivable, accounts receivable and other receivables.

Note 2: The balance includes financial liabilities measured at amortized costs such as short-term loans, accounts payable, other payables and long-term loans.

(III) Financial risk management objectives and policy

The financial risk management by the Company is to manage the market risks (including exchange rate risks, interest rate risks and other price risks), credit risks and liquidity risks associated with operational activities. To reduce relevant financial risks, the Company strives to identify, assess and hedge market uncertainty to mitigate the potential and adverse impact of market changes on the financial performance.

The Company's important financing activities are reviewed by the Board of Directors and Audit Committee according to relevant regulations and the internal control system.

1. Market risks

The primary financial risks that the Company is exposed to due to operating activities are foreign exchange rate risks (see (1) below) and interest rate risks (see (2) below). The Company engages in certain derivatives transactions to manage the foreign exchange risks and interest rate risks. For the exchange rate and interest rate risks the borne, currency forwards are the main instruments used to hedge exchange rate risks arising from the export of barcode printers to Europe and the Americas.

There has been no change in the Company's risk exposure in the financial instrument market and methods to manage and measure such exposure.

(1) Exchange rate risks

The Company manages exchange rate risks by using currency forwards and currency swaps within the range allowed by policy.

Please refer to Note 29 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date.

Sensitivity Analysis

The Company is primarily subject to the exchange rate volatility of the US dollars, the Euro, Chinese yuan, and Japanese yen.

The table below details the Company's sensitivity analysis of the impact when the NT dollars (functional currency) appreciates and depreciates by 3% again different foreign currencies. Positive numbers in the table below indicate the amount increased in profits before tax, with the NT dollars depreciating by 3% against different currencies. Negative numbers indicate the amount decreased in profits before tax, with the NT dollars appreciating by 3% against different currencies.

	Gains and losses	
	2022	2021
USD	$ 15,305 (i)	$ 21,098 (i)
Euro	4,281 (ii)	5,802 (ii)

CNY		1,912 (ii)	(	571) (ii)
JPY	(	1,500) (iv)	(	1,241) (iv)

(i) This is primarily due to the Company's accounts receivable, bank deposits, short-term loans, and accounts payable denominated in the US dollars and outstanding on the balance sheet date, without hedged cash flows.

(ii) This is primarily due to the Company's accounts receivable, bank deposits, and short-term loans denominated in Euro and outstanding on the balance sheet date, without hedged cash flows.

(iii) This is primarily due to the Company's accounts receivable, accounts payable and bank deposits denominated in Chinese yuan and outstanding on the balance sheet date, without hedged cash flows.

(iv) This is primarily due to the Company's accounts payable and bank deposits denominated in Japanese yen and outstanding on the balance sheet date, without cash flows hedged.

(2) Interest rate risks

The carrying amounts of the Company's financial assets and financial liabilities exposed to interest rate risks on the balance sheet date are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Fair value interest rate risks		
- Financial assets	$ 897,472	$ 655,130
- Financial liabilities	878,043	558,281
Cash flow interest rate risks		
- Financial assets	157,235	546,989
- Financial liabilities	620,000	900,000

The Company is exposed to fair value interest rate risks due to having fixed-rate fixed-term bank deposits, bills sold under repurchase agreements, loans to subsidiaries, bank loans, and lease liabilities. The Company is exposed to cash flow interest rate risks due to its position of floating-rate demand bank deposits, fixed-term bank deposits and long-term loans.

Sensitivity Analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivatives on the balance sheet date. It is assumed that all the floating rate liabilities on the balance sheet date are outstanding throughout the reporting period.

If the interest rate increases/decreases by 100 basis points and all other variables are unchanged, the Company's profits before tax will decrease/increase by NT$4,628 thousand and decrease/increase by NT$3,530 thousand in 2022 and 2021, respectively, primarily due to floating-rate bank deposits and bank loans.

The Company became more sensitive to interest rates this year mainly due to a decrease in variable-interest financial assets.

(3) Other price risks

The Company is exposed to equity price risks due to its position of TPEx-listed equity securities. The equity investments are not held for trading but for strategic purposes. The Company does not actively trade such investments.

Sensitivity Analysis

The sensitivity analysis below is based on the equity price exposure on the balance sheet date.

If the equity price goes up/down by 1%, the other comprehensive incomes net of tax will increase/decrease by NT$10,982 thousand and by NT$10,690 thousand in 2022 and 2021, due to change in the fair value of financial assets measured at fair value through other comprehensive incomes.

The Company became more sensitive to investments in equity securities mainly due to increases in the fair value of individual investees.

2. Credit risks

Credit risks are the Company's risks of financial losses due to the counterparties' delay in honoring contractual obligations. The Company's credit risks primarily come from the cash generated from operating activities, bank deposits, accounts receivable and other financial instruments in investing activities. Financial credit risks

The Company controls the risk exposure to every financial institution. Bank deposits are with financial institutions of good credits and without major contract performance concerns. Therefore, there are no material credit risks.

Credit risks associated with operations

To reduce credit risks, the Company establishes a credit policy for continued assessment of customers' financial statuses and transaction records. However, no security or guarantee from customers is required. To mitigate credit risks, the Company's management implements other monitoring procedures to ensure the adoption of appropriate actions for the recovery of overdue receivables. Meanwhile, the Company reviews the recoverable amount of each receivable on the balance sheet date to recognize appropriate credit loss for the unrecoverable receivables. Hence, the Company's management does not think there are major credit risks for the Company.

The top ten customers accounted for 88% and 83% of the Company's operating incomes in 2022 and 2021 respectively. To lower the credit risks, the Company periodically assesses the financial statuses of customers and the recoverability of accounts receivable and recognizes appropriate allowance for losses accordingly.

3. Liquidity risks

The Company manages and maintains sufficient cash and cash equivalents to support operations and mitigate the impact of cash flow volatility. To control liquidity risks, the Company's management keeps a close eye on the utilization of credit lines with banks to ensure adherence to the borrowing terms and conditions. The Company's current capital is adequate to meet the due liabilities. It is unlikely that the Company is unable to repay financial liabilities or honor relevant obligations in cash or with other financial assets. Please refer to (3) Credit Facilities for the available credit lines as of Dec. 31, 2022 and Dec. 31, 2021, respectively.

(1) Table of Liquidity and Interest Rate Risks of Non-Derivative Financial Liabilities

The table below details the maturities of the Company's non-derivative financial liabilities with repayment periods agreed. The analysis is based on the earliest possible repayment dates required and undiscounted cash flows of financial liabilities (including principals and estimated interests). In other words, the earliest and immediate repayment dates required by banks for loans are listed below, without considering the probabilities of banks immediately exercising such rights. The maturity analysis for other non-derivative financial liabilities is produced in reference to the agreed repayment dates.

Dec. 31, 2022

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 703,619	$ -	$ -	$ -
Lease liabilities	888	650	-	-
Floating interest rate instruments	480	63,000	557,000	-
Fixed interest rate instruments	878,229	-	-	-
	$ 1,583,216	$ 63,650	$ 557,000	$ -

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	$ 1,538	$ -	$ -

Dec. 31, 2021

	Within 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 760,941	$ -	$ -	$ -
Lease liabilities	2,672	2,745	2,302	-
Floating interest rate instruments	229	65,000	835,000	-
Fixed interest rate instruments	551,063	-	-	-
	$ 1,314,905	$ 67,745	$ 837,302	$ -

Further information on the lease liability maturities is as follows:

	Shorter than 1 year	1-5 years	5-10 years
Lease liabilities	$ 5,417	$ 2,302	$ -

(2) Table of Liquidity and Interest Rate Risks of Derivative Financial Liabilities

The liquidity analysis of derivative financial instruments based on net settlements is produced with the undiscounted and contracted net cash inflows and outflows. The analysis on the derivatives based on gross settlements is produced with the undiscounted total cash inflows and outflows. If the payable or receivable amount is not fixed, the amount disclosed is estimated with the expected interest rate in reference to the yield curve on the balance sheet date.

Dec. 31, 2022

	Within 1 year	1-2 years	2-5 years	Over 5 years
Gross settlements				
Currency forwards				
- Inflows	$ 60,718	$ -	$ -	$ -
- Outflows	(61,420)	-	-	-
	(702)	-	-	-
Currency swaps				
- Inflows	50,427	-	-	-
- Outflows	(52,207)	-	-	-
	(1,780)	-	-	-
	($ 2,482)	$ -	$ -	$ -

Dec. 31, 2021

	Within 1 year	1-2 years	2-5 years	Over 5 years
Gross settlements				
Currency forwards				
- Inflows	$ 86,668	$ -	$ -	$ -
- Outflows	(86,680)	-	-	-
	(12)	-	-	-
Currency swaps				
- Inflows	83,040	-	-	-
- Outflows	(83,394)	-	-	-
	(354)	-	-	-
	($ 366)	$ -	$ -	$ -

(3) Credit facilities

	Dec. 31, 2022	Dec. 31, 2021
Unsecured credit facilities with banks (reviewed annually)		
- Utilized amount	$ 1,496,515	$ 1,450,706
- Available amount	2,159,875	2,809,543
	$ 3,656,390	$ 4,260,249

XXVII. Transactions with Affiliated Parties

The Company's ultimate controller is Taiwan Semiconductor Manufacturing Co., Ltd., which owned 36.35% and 36.38% of the Company's ordinary shares as of Dec. 31, 2022 and Dec. 31, 2021, respectively.

Except those disclosed in other notes, the transactions between the Company and affiliated parties are as follows:

(I) Names of and relations with the affiliated parties

Name of the affiliated party	Relation with the Company
Taiwan Semiconductor Manufacturing Co., Ltd. (Taiwan Semiconductor)	The Company's parent
TSC Auto ID Technology EMEA GmbH (TSCAE)	Subsidiaries
TSC Auto ID Technology America Inc. (TSCAA)	Subsidiaries
Printronix Auto ID Technology Inc. (PTNX US)	Subsidiaries
Printronix Auto ID Technology Co., Ltd. ("Printronix Auto ID Technology")	Subsidiaries
Tianjin TSC Auto ID Technology Co., Ltd. (Tianjin TSC Auto ID Technology)	Sub-subsidiary
Shenzhen Printronix Auto ID Technology Co., Ltd. (Shenzhen Printronix Auto ID Technology)	Sub-subsidiary
TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Subsidiaries
Diversified Labeling Solutions, Inc.(DLS)	Subsidiaries
TSC Auto ID Technology India Private limited (TSCIN)	Subsidiaries

(II) Operating incomes

Itemized account	Affiliated party category/name	2022	2021
Revenues	Parent company	$ 8	$ 8
	Subsidiaries		
	TSCAE	1,209,955	1,210,385
	Tianjin TSC Auto ID Technology	597,482	410,246
	TSCAA	655,646	358,808
	Others	100,589	145,353
		2,563,672	2,124,792
		$ 2,563,680	$ 2,124,800

The Company sells goods to subsidiaries at ordinary price terms (i.e. the market price); sales proceeds receivable from subsidiaries are collected within 60 to 135 days, and may be adjusted depending on capital requirements.

(III) Purchase

Affiliated party category/name	2022	2021
Parent company	$ 1,827	$ 2,488
Subsidiaries		
Tianjin TSC Auto ID Technology	696,558	822,115
Others	2,070	2,892
	698,628	825,007
	$ 700,455	$ 827,495

The Company's 60–120 day payment terms with the abovementioned affiliated parties are not significantly different from the terms with other suppliers.

(IV) Outsourced processing of materials

Affiliated party category/name	2022	2021
Subsidiaries		
Tianjin TSC Auto ID Technology	$ 228,145	$ 150,239

The Company sells raw materials and semi-finished goods to its Chinese subsidiary for processing through a direct trade arrangement. Some of the finished goods are purchased by the Company and sold to its customers either directly or through merchandising trade. These sales transactions have had revenues and costs offset against the amount of goods repurchased and resold, and the amounts offset were not accounted as sale in the standalone financial statements.

(V) Service expenses

Itemized account	Affiliated party category/name	2022	2021
R&D expenses	Subsidiaries		
	PTNX US	$ 42,098	$ 71,905
	TSCAA	36,659	-
		$ 78,757	$ 71,905

The Company engages its subsidiaries to partially handle the development of industrial barcode printers, and accounts for service expenses by applying a certain percentage onto the actual cost incurred.

(VI) Management service income

Itemized account	Affiliated party category/name	2022	2021
Other non-operating incomes	Subsidiaries		
	Printronix Auto ID Technology	$ 389	$ 389
	Others	56	192
		$ 445	$ 581

(VII) Receivables from affiliated parties

Itemized account	Affiliated party category/name	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable – affiliated parties	Subsidiaries		
	TSCAE	$ 640,390	$ 438,312
	TSCAA	359,305	212,682
	Others	82,454	88,080
		$ 1,082,149	$ 739,074
Other receivables – affiliated parties	Subsidiaries		
	DLS	$ 168,905	$ 194,074
	TSCAA	53,148	128,319
	Others	5,942	731
		$ 227,995	$ 323,124

No guarantee was obtained for the outstanding receivables from affiliated parties. No allowance for losses was recognized for receivables from affiliated parties in 2022 and 2021.

(VIII) Payables to affiliated parties

Itemized account	Affiliated party category/name	Dec. 31, 2022	Dec. 31, 2021
Accounts payable – affiliated parties	Parent company	$ 101	$ 1,005
	Subsidiaries		
	Tianjin TSC Auto ID Technology	158,161	280,138
		$ 158,262	$ 281,143

Itemized account	Affiliated party category/name	Dec. 31, 2022	Dec. 31, 2021
Other payables – affiliated parties	Parent company	$ 94	$ 105
	Subsidiaries		
	TSCAA	17,764	-
	PTNX US	-	17,779
		17,764	17,779
		$ 17,858	$ 17,884

No guarantee was provided for the outstanding payables to affiliated parties.

(IX) Loans to affiliated parties

Itemized account	Affiliated party category/name	Dec. 31, 2022	Dec. 31, 2021
Other receivables – affiliated parties	Subsidiaries		
	DLS	$ 168,905	$ 193,760
	TSCAA	52,207	124,560
		$ 221,112	$ 318,320

Itemized account	Affiliated party category/name	2022	2021
Interest income	Subsidiaries		
	DLS	$ 4,490	$ 2,303
	TSCAA	3,222	1,561
		$ 7,712	$ 3,864

The Company provides short-term funding to TSCAA and DLS at rates that are equivalent to the market rate. Please refer to Table 1 for details.

(X) Disposal of subsidiary

2022

Itemized account	Affiliated party category/name	Disposal price	Gain (loss) from disposal
Equity-accounted investments	Subsidiaries		
	PTNX US	$ 48,219	$ -

The Company has sold 5% of its PTNX US shares to TSCAA. The disposal price is based on the valuation outcomes of an external expert on enterprise valuation and with reference to the market situation.

(XI) Endorsements and guarantees

Please refer to Table 2 for details of endorsements and guarantees for others.

(XII) Management's remuneration

	2022	2021
Shor-term employee benefits	$ 65,882	$ 58,956
Retirement benefits	294	302
Shares-based payment	5,079	5,149
	$ 71,255	$ 64,407

Remuneration Committee determines the remuneration to directors and other key members of management in accordance with individual performances and market prices.

XXVIII. Major Events After the Reporting Period

With the aim to enhance brand competitiveness of the Company and to expand the labeling market business in Europe, the Board of Directors resolved for the acquisition of the Poland company, MGN sp. z o.o. on Mar. 15, 2023 (its principal business is in labeling manufacturing and sales, hereinafter referred to as MGN) for 100% ownership through a newly-established subsidiary in Poland, Mosfortico Investments sp. z o.o. (invested for establishment in Feb. 2023, hereinafter referred to as Mosfortico Investments). The share acquisition consideration is temporarily set at Poland's currency PLN 54,000 thousand (translate to NT$374,065 thousand) or in Euros of an equivalent amount, except for the total transaction amount which may still be adjusted based on the contingent consideration related to MGN's profitability conditions in the coming three years after delivery and other situations as stated in the contract.

In order to attend to the abovementioned funds for share acquisition consideration and future capital expenses requirements, the Board of Directors resolved to increase capital for Mosfortico Investments on Mar. 15, 2023 at EUR 15,000 thousand (translate to NT$491,100 thousand). The Chairman was given the authorization to execute the capital injection in batches within one year based on the actual funds requirement.

XXIX. <u>The assets and liabilities denominated in foreign currencies and with significant influence</u>

The following information is expressed with the foreign currencies other than the functional currencies of the Company. The disclosed exchange rates are the rates to convert foreign currencies to functional currencies. The assets and liabilities denominated in foreign currencies and with significant influence are as follows:

(Unit: thousand in NT dollars and foreign currencies)

<u>Dec. 31, 2022</u>

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
Monetary items			
USD	$ 28,230	30.710 (USD: NTD)	$ 866,943
Euro	19,646	32.720 (EUR: NTD)	642,817
CNY	50,337	4.408 (CNY: NTD)	221,885
JPY	22,226	0.232 (JPY: NTD)	5,156
			$ 1,736,801
Non-monetary items			
Equity-accounted subsidiaries			
USD	74,985	30.710 (USD: NTD)	$ 2,302,780
CNY	129,397	4.408 (CNY: NTD)	570,382
			$ 2,873,162
Liabilities denominated in foreign currencies			
Monetary items			
USD	11,618	30.710 (USD: NTD)	$ 356,789
Euro	15,285	32.720 (EUR: NTD)	500,125
CNY	35,880	4.408 (CNY: NTD)	158,159
JPY	237,678	0.232 (JPY: NTD)	55,141
			$ 1,070,214
Non-monetary items			
Equity-accounted subsidiaries			
Euro	552	32.720 (EUR: NTD)	$ 18,046

Dec. 31, 2021

	Foreign currency		Exchange rate	Carrying amount
Assets denominated in foreign currencies				
Monetary items				
USD	$	39,925	27.680 (USD: NTD)	$ 1,105,124
Euro		14,125	31.320 (EUR: NTD)	442,395
CNY		60,110	4.344 (CNY: NTD)	261,118
JPY		5,355	0.240 (JPY: NTD)	1,285
				$ 1,809,922
Non-monetary items				
Equity-accounted subsidiaries				
USD		69,366	27.680 (USD: NTD)	$ 1,920,064
Euro		189	31.320 (EUR: NTD)	5,912
CNY		115,745	4.344 (CNY: NTD)	502,798
				$ 2,428,774
Liabilities denominated in foreign currencies				
Monetary items				
USD		14,518	27.680 (USD: NTD)	$ 401,858
Euro		7,950	31.320 (EUR: NTD)	248,994
CNY		64,489	4.344 (CNY: NTD)	280,140
JPY		177,679	0.240 (JPY: NTD)	42,643
				$ 973,635

The exchange gain or loss (unrealized) with significant influence is as follows:

	2022		2021	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	30.710 (USD: NTD)	$ 15,618	27.680 (USD: NTD)	($ 5,949)
Euro	32.720 (EUR: NTD)	30,333	31.320 (EUR: NTD)	(4,418)
JPY	0.232 (JPY: NTD)	(2,607)	0.240 (JPY: NTD)	1,390
CNY	4.408 (CNY: NTD)	1,325	4.344 (CNY: NTD)	3,510
		$ 44,669		($ 5,467)

XXX. Supplement Disclosure

(I) Information on significant transactions:

1. Loans to others: Table 1
2. Endorsements and guarantees for others: Table 2
3. Position of marketable securities at the end of the period (excluding subsidiaries): Table 3
4. Cumulative purchase or sale of the same marketable security for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
5. Acquisition of real estates for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
6. Disposal of real estimates for at least NT$300 million or at an amount equivalent to 20% of the paid-in capital: none
7. Purchase from and sale to affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital: Table 4
8. Receivables from affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital: Table 5
9. Transaction of derivatives: Note 7

(II) Information on investees: Table 6

(III) Information on investments in China:

1. Names of investees in China, major businesses, paid-in capitals, investment methods, inward and outward remittances, shareholding percentages, investment gains (losses), carrying amounts of investments at the end of the period, repatriated investment gains (losses) and ceiling on investments in China: Table 7
2. Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions: Table 8
   (1) Purchase amounts and percentages, balances and percentages of corresponding payables as of the end of the period.
   (2) Sale amounts and percentages, balances and percentages of corresponding receivables as of the end of the period.

(3) Property transaction amounts and resulting gains (losses).

(4) Purchases and balances of check endorsements and guarantees and the offering of collaterals as of the end of the period.

(5) Maximum balance, end-of-period balance, interest rate range and interest expenses of borrowings during the period.

(6) Other transactions (such as offering and receiving of services) with significant influence on profit or loss or financial status during the period.

(IV) Major shareholders: names, shareholding amounts and percentages of the shareholders with at least 5% stakes: Table 9

TSC Auto ID Technology Co., Ltd.

Loans to Others

Jan. 1, 2022 to Dec. 31, 2022

Table 1

Unit: NT$ thousand unless otherwise indicated

No. (Note 1)	Financing company	Counter-party	Financial statement account (Note 2)	Related party?	Maximum balance for the period (Notes 3, 6)	Balance at the end of the period (Notes 3, 6)	Amount actually drawn (Note 6)	Interest rate range	Nature for financing	Transaction amounts	Reason for need for short-term financing	Recognized allowance for bad debts	Collateral		Financing limits for each borrowing company (Note 4)	Financing company's total financing amount limits (Note 5)
													Name	Value		
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	Other receivables – affiliated parties	Yes	$ 214,970 (USD7,000 thousand)	$ 214,970 (USD7,000 thousand)	$ 52,207 (USD1,700 thousand)	5.25%	The need for short-term financing	$ -	Operating capital	$ -	None	$ -	$ 950,145	$ 1,900,290
0	TSC Auto ID Technology Co., Ltd.	Diversified Labeling Solutions Inc.	Other receivables – affiliated parties	Yes	307,100 (USD10,000 thousand)	307,100 (USD10,000 thousand)	168,905 (USD5,500 thousand)	5.25%	The need for short-term financing	-	Operating capital	-	None	-	950,145	1,900,290

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: This field is required for the accounts receivable from affiliated companies, accounts receivable from affiliated parties, transactions with shareholders, prepayments, temporary payments, etc. that are lending in nature.

Note 3: The maximum balance during the period and the balance as of the end of the period refer to the quotas determined by the Board of Directors, not the amounts actually utilized.

Note 4: Any need for short-term financing from the Company is capped at 20% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 5: The aggregate amount of the Company's lending to others is capped at 40% of the book value of its most recent financial statements as audited or reviewed by CPAs.

Note 6: Foreign currency amounts in this table are based on exchange rates on Dec. 31, 2022. NT dollars based on US$1=NT$30.71.

TSC Auto ID Technology Co., Ltd.

Endorsements and Guarantees for Others

Jan. 1, 2022 to Dec. 31, 2022

Table 2

Unit: NT$ thousand unless otherwise indicated

No. (Note 1)	Name of the endorsement/guarantee provider	Endorsed/guaranteed entity		Limit of endorsements/guarantees for a single company (Note 3)	Maximum balance of endorsements/guarantees during the period (Note 6)	Balance of endorsements/guarantees as of the end of the period (Notes 4, 6)	Amount actually drawn (Notes 5, 6)	Amount endorsed/guaranteed by collateralizing assets	Cumulative endorsed/guaranteed amount as the % of book value in the most recent financial statements	Maximum limit of endorsements/guarantees (Note 3)	Endorsements/guarantees from the parent to subsidiaries	Endorsements/guarantees from subsidiaries to the parent	Endorsements/guarantees to entities in China	Remarks
		Name of the company	Relation (Note 2)											
0	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology America Inc.	(2)	$ 1,900,290	$ 368,520 (USD 12,000 thousand)	$ 368,520 (USD 12,000 thousand)	$ -	$ -	7.76%	$ 2,850,435	Y	N	N	

Note 1: Numbers in the column:

(1) 0 for the Company.

Note 2: Please indicate one of the following seven types of relations between endorsers/guarantors and endorsees/guarantees:

(1) Company with business dealings.

(2) Company with over 50% voting shares directly and indirectly owned by the Company.

(3) Company who directly and indirectly owns at over 50% of the Company’s voting shares.

(4) Between the companies with over 90% voting shares directly and indirectly owned by the Company.

(5) Between peers required for engineering project undertakings or between joint builders required to guarantee each other according to contract terms and conditions.

(6) Endorsement and guarantee to an investee by all shareholders according to shareholding percentages in a joint investment.

(7) Joint guarantee provided by peers in contract performance for off-plan property sales according to the Consumer Protection Act.

Note 3: The aggregate endorsed/guaranteed amount and the maximum endorsement/guarantee to a single company is capped at 60% and 40%, respectively, of the Company’s book value according to the most recent financial statements as audited or reviewed by CPAs.

Note 4: This field is for the amount approved by the Board of Directors. However, please provide the amount decided by the Chairman if the Chairman is authorized by the Board of Directors according to Subparagraph 8 of Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 5: Amount actually utilized by the endorsed/guaranteed company within the endorsed/guaranteed range.

Note 6: Foreign currency amounts in this table are based on exchange rates on Dec. 31, 2022. NT dollars based on US$1=NT$30.71.

Note 7: The Company provides a customs endorsement/guarantee with a bank letter of guarantee for NT$4,000 thousand to Taipei Customs, Customs Administration.

TSC Auto ID Technology Co., Ltd.

Position of marketable securities at the end of the period

Dec. 31, 2022

Table 3

Unit: NT$ thousand/thousand shares/thousand units

Investees	Types and names of marketable securities (Note 1)	Relation with the issuer (Note 2)	Itemized account	End of the period				Remarks
				No. of units	Carrying amount (Note 3)	Shareholding percentage	Fair value	
	Shares							
The Company	Taiwan Semiconductor Co., Ltd.	Parent company	Financial assets measured at fair value through other comprehensive incomes – non-current	14,800	$ 1,098,160	5.62%	$ 1,098,160	

Note 1: Marketable securities in this table refer to stocks, bonds, beneficiary certificates and marketable securities derived from the aforesaid financial instruments according to IFRS 9 Financial Instruments.

Note 2: Blank in this column if the issuer of the marketable securities is not a related party.

Note 3: Column of carrying amount: Please provide the carrying amount after fair value adjustments and allowance for losses if measured at fair value or the carrying amount at amortized cost (net of allowance for losses) if not measured at fair value.

Note 4: Please refer to Tables 6 and 7 for information on subsidiaries.

TSC Auto ID Technology Co., Ltd.

Purchase from and sale to affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital

Jan. 1, 2022 to Dec. 31, 2022

Table 4

Unit: NT$ thousand unless otherwise indicated

Purchase (sale) company	Counterparties	Relation	Transactions				Circumstances and reasons why transaction terms are not at an arm's length		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As % of total sale (purchase)	Credit period	Unit price	Credit period	Balance	As % of total notes and accounts receivable (payable)	
The Company	TSCAE	Subsidiaries	Sale	($ 1,209,955)	(31%)	135 days based on monthly statements	-	-	$ 640,390	47%	
The Company	Tianjin TSC Auto ID Technology	Sub-subsidiary	Sale	(597,482)	(15%)	60 days based on monthly statements	-	-	66,909	5%	
	Tianjin TSC Auto ID Technology	Sub-subsidiary	Purchase	696,558	32%	90 days based on monthly statements	-	-	(158,161)	(25%)	
The Company	TSCAA	Subsidiaries	Sale	(655,646)	(17%)	120 days based on monthly statements	-	-	359,305	26%	

TSC Auto ID Technology Co., Ltd.

Receivables from affiliated parties for at least NT$100 million or at an amount equivalent to 20% of the paid-in capital

Dec. 31, 2022

Table 5

Unit: NT$ thousand unless otherwise indicated

Company from which receivables are recognized	Name of the counterparty	Relation	Receivables from affiliated parties (Note 1)		Turnover	Overdue receivables from affiliated parties		Recovered receivables from affiliated parties (Note 2)	Recognized allowance for losses
						Amount	Treatment		
The Company	TSCAE	Subsidiaries	Accounts receivable	$ 640,390	2.24	$	-	$ 177,937	$ -
The Company	TSCAA	Subsidiaries	Accounts receivable Other receivables	359,305 53,148	2.29		-	90,179 52,512	-
The Company	DLS	Subsidiaries	Other receivables	168,905			-	168,905	-
Tianjin TSC Auto ID Technology	The Company	Parent company	Accounts receivable	158,161	4.03		-	158,161	-

Note 1: Please provide accounts receivable, notes receivable and other receivables.

Note 2: Recovered amount as of Mar. 15, 2023.

TSC Auto ID Technology Co., Ltd.

Name and location of the investee, etc.

Jan. 1, 2022 to Dec. 31, 2022

Table 6

Unit: NT$ thousand unless otherwise indicated

Name of the investment company	Name of the investee	Location	Primary business	Original invested amount		Holdings at the end of the year			Profit (loss) of the investee during the period	Recognized investment gain (loss) during the period	Remarks
				End of this period	End of last year	No. of shares (thousand shares)	Percentage (%)	Carrying amount (Note 2)			
The Company	TSCAE	Germany	Sale of barcode printers and relevant components	$ 2,943	$ 2,943	Note 1	100	($ 18,046)	$ 9,583	$ 9,583	Subsidiaries
The Company	TSCAA	United States	Sale of barcode printers and relevant components	1,096,621 (US$33,000 thousand)	1,096,621 (US$33,000 thousand)	16,000	100	1,077,842	36,363	36,363	Subsidiaries
The Company	TSCHK	Hong Kong	Investment in production businesses and general imports/exports	51,738 (US$1,654 thousand)	51,738 (US$1,654 thousand)	11,711	100	570,382	96,380	96,380	Subsidiaries
The Company	PTNXUS	United States	Sale of barcode printers and relevant components	Note 3	63,021 (US$1,875 thousand)	-	-	-	8,786	(326)	Sub-subsidiary
The Company	Printronix Auto ID Technology	Taiwan	Sale of barcode printers and relevant components	5,000	5,000	500	100	5,259	(167)	(167)	Subsidiaries
The Company	DLS	United States	Printer consumables and customized design, integration, production and marketable of a variety of labels	801,558 (US$26,000 thousand)	801,558 (US$26,000 thousand)	1	100	1,224,938	188,610	188,610	Subsidiaries
The Company	TSCIN	India	Sale of barcode printers and relevant components	2,791 (US$100 thousand)	2,791 (US$100 thousand)	710	100	1,601	(989)	(989)	Subsidiaries
TSCAE	TSCAD	United Arab Emirates	Sale of barcode printers and relevant components	8,234	8,234	Note 1	100	(8,234)	(928)	(928)	Sub-subsidiary
TSCAE	TSCAS	Spain	Sale of barcode printers and relevant components	124	124	Note 1	100	2,660	337	337	Sub-subsidiary
TSCAA	PTNXUS	United States	Sale of barcode printers and relevant components	Note 4	US$45,319 thousand	-	-	-	8,786 (US$308 thousand)	(6,186) (US$217 thousand)	Sub-subsidiary
DLS	PPL	United States	Selling of a variety of labels and printer consumables	US$115 thousand	US$115 thousand	850	100	29,886 (US$973 thousand)	15,282 (US$516 thousand)	15,282 (US$516 thousand)	Sub-subsidiary

Note 1: The company license only specifies the amount of invested capital without the number of shares.

Note 2: Carrying amount net of unrealized gains from sales.

Note 3: The 5% shareholding was transferred to TSCAA on Jul. 1, 2022 due to the restructuring in the Group.

Note 4: TSCAA has consolidated the shares of PTNX US on Jul. 1, 2022.

Note 5: Please refer to Tables 7 and 8 for information about investees in China.

TSC Auto ID Technology Co., Ltd.

Information on investments in China

Jan. 1, 2022 to Dec. 31, 2022

Table 7

Unit: NT$ thousand unless otherwise indicated

Names of investees in China	Primary business	Paid-in capital (Note 5)	Investment method (Note 1)	Cumulative outward investments from Taiwan at the beginning of this period (Note 5)	Outward remittances or recovered investments during the period		Cumulative outward investments from Taiwan at the end of this period (Note 5)	Profit or loss of the investee during the period	Holding by the Company directly and indirectly	Recognized investment gain or loss during the period (Note 2)	Carrying amount of the investment at the end of the period	Total repatriated investment gains as of the end of this period	Remarks
					Outward remittances	Recovered investments							
Tianjin TSC Auto ID Technology Co., Ltd.	Production and marketing of barcode printers and relevant components	$ 46,284 (CNY 10,500 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	$ 46,065 (US$1,500 thousand)	$ -	$ -	$ 46,065 (US$1,500 thousand)	$ 96,048	100%	$ 96,048 (Note 3)	$ 608,375	$ 787,814	
Shenzhen Printronix Auto ID Technology Co., Ltd.	Sale of barcode printers and relevant components	4,408 (CNY 1,000 thousand)	(2) Investor: TSC Auto ID (H.K.) LTD	4,729 (US$154 thousand)	-	-	4,729 (US$154 thousand)	331	100%	331 (Note 3)	6,023	-	

Cumulative outward investments from Taiwan to China at the end of this period (Note 5)	Investment amount approved by the Investment Commission, MOEA (Note 5)	Ceiling imposed by the Investment Commission, MOEA on investments in China (Note 4)
$ 50,794 (US$1,654 thousand)	$ 50,794 (US$1,654 thousand)	$ 2,850,435

Note 1: Please indicate one of the following three investment methods:

(1) Direct investments in China

(2) Investments in China via third regions (Please indicate the investment companies in third regions)

(3) Other methods

Note 2: Recognized investment gains or losses during the period:

(1) Please note if there is no investment gain or loss yet during the preparatory stage.

(2) Please indicate one of the three following bases for recognition of investment gains or losses:

A. Financial statements audited by international accounting firms with cooperation ties with accounting firms in Taiwan.

B. Financial statements audited by the parent company's external auditor in Taiwan.

C. Others.

Note 3: Note 2-2(B) for the basis of investment gains (losses) recognition.

Note 4: According to the Amendment to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China on Aug. 29, 2008 by the Investment Commission, the cap on investments in China is 60% of the book value.

Note 5: Foreign currency amounts in this table based on exchange rates on Dec. 31, 2022. NT dollars based on US$1=NT$30.71 or RMB$1=NT$4.408.

TSC Auto ID Technology Co., Ltd.

Significant transactions with investees in China directly or indirectly through third regions; prices, payment terms and unrealized profits or losses of such transactions, and other relevant information

Jan. 1, 2022 to Dec. 31, 2022

Table 8

Unit: NT$ thousand unless otherwise indicated

Counterparties	Relation with the counterparty	Transaction type: purchase (sale)	Amount	Transaction terms and conditions			Notes and accounts receivable (payable)		Unrealized gains or losses
				Price	Payment terms	Comparison with transactions at an arm's length	Balance	%	
Tianjin TSC Auto ID Technology Co., Ltd.	Sub-subsidiary	Sale	($ 597,482)	Note 1	60 days based on monthly statements	Equivalent	$ 66,909	5%	$ 44,057 (Note 2)
		Purchase	696,558	Note 1	60 days based on monthly statements	Equivalent	(158,161)	(25%)	

Note 1: The Company's transactions with affiliated parties are conducted according to the agreed prices.

Note 2: This refers to cumulative unrealized gains or losses as of Dec. 31, 2022.

TSC Auto ID Technology Co., Ltd.

Information on major shareholders

Dec. 31, 2022

Table 9 Unit: shares

Name of the major shareholder	Shares	
	No. of shares held	Shareholding percentage
Taiwan Semiconductor Co., Ltd.	15,453,177	36.35%
Standard Chartered Bank, Department of Business in custody for Fidelity Puritan Trust: Fidelity Low-Priced Fund Investment	2,307,000	5.42%
Cathay Life Insurance’s fully discretionary account with Cathay Securities Investment Trust (TAIEX 15)	2,190,300	5.15%

Note: The information on major shareholders in this table is based on the Taiwan Depository & Clearing Corporation data on the shareholders with at least 5% of paperless ordinary shares and preferred shares (including treasury shares) without registration on the final business day of the current quarter. The number of paperless shares may be different from the share capital recorded in the Company’s standalone financial statements due to differences in the basis of preparation.

§Directory of details of major accounting items§

TSC Auto ID Technology Co., Ltd.

Cash and cash equivalents account

Dec. 31, 2022

Account 1 — Unit: NT$ thousand unless otherwise indicated

Item	Summary	Amount
Petty cash		$ 50
Demand deposit		
NTD		120,270
Foreign currency	Mainly includes USD 944 thousand; exchange rate: 30.71 Mainly includes EUR 74 thousand; exchange rate: 32.72 Mainly includes RMB 87 thousand; exchange rate: 4.408 Mainly includes JPY 22,226 thousand; exchange rate: 0.2324	36,965
Fixed-term deposits		
NTD		150,000
Foreign currency	Mainly includes RMB 5,980 thousand; exchange rate: 4.408	26,360
Bills sold under repurchase agreements		
NTD	Subsequent maturities between Jan. 3, 2023 to Jan. 30, 2023, with interest between 0.98%-1.02%	500,000
Total		$ 833,645

TSC Auto ID Technology Co., Ltd.

Accounts receivable account

Dec. 31, 2022

Account 2 Unit: NT$ thousand

Name	Amount
RETAIL SOLUTION AND TECHNOLOGIES	$ 58,189
BROTHER INDUSTRIES LTD.	50,964
BD Enterprise Networking Limited	37,169
Posmart Corporation	17,896
Ark Tech Ltd.	17,310
Others (Note)	107,990
Less: allowance for losses	(6,058)
Total	$ 283,460

Note: No customer represented more than 5% of account balance.

TSC Auto ID Technology Co., Ltd.

Inventory account

Dec. 31, 2022

Account 3 Unit: NT$ thousand

Item	Amount	
	Cost	Net realizable value
Finished goods	$ 87,373	$ 55,449
Semi-finished goods	150,416	210,682
Work in process	24,143	24,143
Raw materials	315,998	410,324
Total	577,930	$ 700,598
Less: allowance for inventory devaluation	(16,887)	
Net balance	$ 561,043	

TSC Auto ID Technology Co., Ltd.

Equity-accounted investment variation account

Jan. 1, 2022 to Dec. 31, 2022

Account 4

Unit: NT$ thousand unless otherwise indicated

Name of the investee	Balance at the beginning of the year		Increase in current year		Decrease in current year (Note 3)		Investment gain (loss)	Foreign currency translation adjustment	Adjustment for unrealized gain/loss on downstream transactions	Others (Note 4)	Balance at the end of the year			Number of shares and net value or market price (Note 5)
	No. of shares (thousand shares)	Amount	No. of shares (thousand shares)	Amount	No. of shares (thousand shares)	Amount					No. of shares (thousand shares)	Shareholding %	Amount	
Non-listed companies														
TSC Auto ID (H.K.) Limited (TSCHK)	11,711	$ 502,798	-	$ -	-	($ 5,898)	$ 96,380	$ 7,850	($ 30,748)	$ -	11,711	100%	$ 570,382	$ 614,439
TSC Auto ID Technology EMEA GmbH (TSCAE)	Note 1	5,912	-	-	-	-	9,583	5,573	(39,114)	-	註 1	100%	(18,046)	138,477
TSC Auto ID Technology America Inc. (TSCAA)	16,000	946,970	-	-	-	-	36,363	104,894	(20,307)	9,922	16,000	100%	1,077,842	1,161,565
Printronix Auto ID Technology	500	5,426	-	-	-	-	(167)	-	-	-	500	100%	5,259	5,259
Printronix Auto ID Technology Inc. (PTNX US)	Note 2	45,137	-	-	-	(48,219)	(326)	13,330	-	(9,922)	-	-	-	-
Diversified Labeling Solutions, Inc. (DLS)	1	927,957	-	-	-	-	188,610	108,371	-	-	1	100%	1,224,938	1,224,939
TSC Auto ID Technology India Private Limited (TSCIN)	710	2,580	-	-	-	-	(989)	10	-	-	710	100%	1,601	1,601
		2,436,780		-		(54,117)	329,454	240,028	(90,169)	-			2,861,976	3,146,280
Add: Credit balance of long-term equity investments transferred to non-current liabilities		-		-		-	-	-	-	-			18,046	-
		$ 2,436,780		$ -		($ 54,117)	$ 329,454	$ 240,028	($ 90,169)	$ -			$ 2,880,022	$ 3,146,280

Note 1: The investee's business license only indicates the amount of capital, so no share count is recorded.

Note 2: Figure not shown as the Company held less than one thousand shares.

Note 3: The reduced amount for the current fiscal year is the announced earnings wired back to the parent company and the disposal of 5% shares of PTNX US to TSCAA. Please refer to Note 11.

Note 4: It refers to the group organization re-structuring which does not impact the control of the Company. The differences in the carrying amount of the investment and the consideration paid and collected is the adjustment to the capital surplus.

Note 5: Calculated based on the investee's net equity shown in audited financial statements.

TSC Auto ID Technology Co., Ltd.

Short-term borrowings account

Dec. 31, 2022

Account 5

Unit: NT$ thousand unless otherwise indicated

Loan category and lender	Balance at the end of the year	Loan tenor	Interest rate range (%)	Credit facilities	Collateral or security	Remarks
Loan on credit						
Bank SinoPac	$ 295,625	Dec. 9, 2022 to Jan. 19, 2023	2.55~2.80	$ 360,000	None	–
Bank Of Taiwan	61,420	Nov. 24, 2022 to Jan. 23, 2023	5.49	300,000	None	–
CTBC Bank	188,280	Dec. 8, 2022 to Feb. 23, 2023	2.78~5.30	300,000	None	–
First Commercial Bank	331,190	Sep. 15, 2022 to Mar. 28, 2023	1.63~5.34	400,000	None	–
	$ 876,515			$ 1,360,000		

TSC Auto ID Technology Co., Ltd.

Accounts payable account

Dec. 31, 2022

Account 6 Unit: NT$ thousand

Name of the company	Amount
Company A (Note 1)	$ 39,572
Jawbone Industrial Co., Ltd.	38,261
King Hoya Co., Ltd.	32,715
Guide Wally Enterprises Co., Ltd.	32,225
Others (Note 2)	322,351
Total	$ 465,124

Note 1: The contract signed with the customer prohibits disclosure of the customer’s name.

Note 2: No customer represented more than 5% of account balance.

TSC Auto ID Technology Co., Ltd.

Long-term borrowings account

Dec. 31, 2022

Account 7

Unit: NT$ thousand unless otherwise indicated

Loan category and lender	Summary	Amount borrowed	Loan tenor	Annual interest rate (%)	Collateral or security	Remarks
Loan on credit						
Bank Of Taiwan	Expected to be repaid from Apr. 2024 to Apr. 2025.	$ 200,000	Oct. 7, 2022 to Apr. 8, 2025	1.50	None	—
Yuanta Commercial Bank	Expected to be repaid from Oct. 2023 to Oct. 2025.	420,000	Oct. 14, 2022 to Oct. 14, 2025	1.40	None	—
Less: portion due within one year		(63,000)				
		$ 557,000				

TSC Auto ID Technology Co., Ltd.

Sales revenue account

Jan. 1, 2022 to Dec. 31, 2022

Account 8 Unit: NT$ thousand

Name	Sales volume	Net sales
Hardware	496K SET	$ 3,140,104
Parts and components	Note	791,716
Others		29,075
		3,960,895
Less: sales return and discount		(95,016)
Total		$ 3,865,879

Note: Parts and components are not listed separately due to the extensive variety and vast difference in unit prices.

TSC Auto ID Technology Co., Ltd.

Cost of sales account

Jan. 1, 2022 to Dec. 31, 2022

Account 9 | Unit: NT$ thousand

Item	Amount
Cost of goods sold	
Direct materials	
Raw materials at the beginning of the year	$ 276,056
Add: net purchases for the current year	1,111,545
R&D department returned materials and reclassified from others	35,580
Less: raw materials at the end of the year	(315,998)
Cost of raw materials sold	(109,273)
Raw materials collected that were reclassified into expenses and others	(3,594)
Raw materials used this year	994,316
Direct labor	59,673
Manufacturing expenses account (Account 10)	159,610
Manufacturing cost	1,213,599
Add: work-in-progress at the beginning of the year	15,731
Reclassified from finished goods and semi-finished goods	575,177
Processing expenses	182,200
Less: work-in-process at the end of the year	(24,143)
Reclassified to others	(8)
Add: semi-finished goods at the beginning of the year	135,540
Net purchases for the current year	156,253
Less: semi-finished goods at the end of the year	(150,416)
Sale of semi-finished goods	(227,054)
Reclassified to work-in-progress	(561,159)
Reclassified to others	(11,229)
Cost of finished goods	1,304,491
Add: finished goods at the beginning of the year	26,084
Purchases for the current year	821,507
Reclassified from raw materials	60
Less: finished goods at the end of the year	(87,373)
Finished goods reclassified to work-in-progress	(14,018)
Reclassified to others	(656)
Cost of sale of self-produced products	2,050,095
Add: cost of raw materials and semi-finished goods sold	336,327
Add: Allowance for inventory devaluation	19,500

Less: Inventory adjustment credits	(172)
Others	41,506
Cost of goods sold	$ 2,447,256

TSC Auto ID Technology Co., Ltd.

Manufacturing expenses account

Jan. 1, 2022 to Dec. 31, 2022

Account 10 Unit: NT$ thousand

Name	Amount
Indirect labor	$ 56,350
Depreciation	25,500
Insurance premium	14,906
Royalties	13,455
Others (Note)	49,399
Total	$ 159,610

Note: No single item represented more than 5% of account balance.

TSC Auto ID Technology Co., Ltd.

Operating expenses account

Jan. 1, 2022 to Dec. 31, 2022

Account 11 Unit: NT$ thousand

Item	Sales & marketing expenses	Administrative expenses	R&D expenses	Total
Payroll expenses and pension	$ 50,829	$ 154,468	$ 80,566	$ 285,863
R&D expenses	-	-	125,068	125,068
Depreciation and amortization expenses	450	22,567	11,153	34,170
Service fees	495	13,559	1,639	15,693
Advertisement fees	6,208	108	-	6,316
Import and export charges	11,778	-	-	11,778
Others (Note)	11,544	28,514	15,403	55,461
Total	$ 81,304	$ 219,216	$ 233,829	$ 534,349

Note: No single item represented more than 5% of total expenses for the given function.

TSC Auto ID Technology Co., Ltd.

Summary of current employee welfare, depreciation, and amortization expenses by function

From Jan. 1 to Dec. 31, 2022 and from Jan. 1 to Dec. 31, 2021

Account 12 Unit: NT$ thousand

	2022			2021		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee benefit expenses (Note)						
Salary expenses	$ 116,023	$ 245,401	$ 361,424	$ 97,923	$ 205,395	$ 303,318
Labor/health insurance premium	12,563	13,489	26,052	10,769	12,044	22,813
Pension expenses	5,474	6,653	12,127	4,718	5,922	10,640
Directors' remuneration	-	33,809	33,809	-	32,989	32,989
Other employee benefit expenses	8,854	5,874	14,728	7,980	5,285	13,265
	$ 142,914	$ 305,226	$ 448,140	$ 121,390	$ 261,635	$ 383,025
Depreciation expense	$ 25,500	$ 8,405	$ 33,905	$ 26,740	$ 7,197	$ 33,937
Amortization expenses	$ 751	$ 25,765	$ 26,516	$ 497	$ 23,504	$ 24,001

Note 1: The Company employed an average of 359 employees in 2022 and 326 employees in 2021; the number of directors without concurrent role as employee was 4 in both years. The same employee base was used for calculating employee benefit expenses.

Note 2: Average employee benefit expense was reported at NT$1,167 thousand for 2022 and NT$1,087 thousand for 2021.

Note 3: The Company reported average payroll expenses of NT$1,018 thousand for 2022 and NT$942 thousand for 2021; employee payroll expenses had increased by an average of 8.07% in the two years.

Note 4: The Company has no supervisor, hence no compensation was allocated for supervisors.

Note 5: The Company's director, manager, and employee compensation policies are explained below:

(1) Directors: The Company compensates directors according to its Articles of Incorporation and dividend policy. The amount of compensation takes into account the Company's profitability and future operating requirements, for which the Remuneration Committee raise a proposal for discussion, approval, and implementation by the board of directors. When discussing compensation proposals from the Remuneration Committee, the board of directors take into consideration the amount of compensation proposed, the method of payment, and risks that the Company may be prone to in the future.

(2) Managers: The Chairman is authorized by the board of directors to determine managers' compensation based on their duties, contributions, the Company's performance in that given year, potential development, and other relevant factors.

(3) Employees: Employees' compensation is determined according to the Company's employee compensation rules.

(5) Financial distress encountered by the Company and affiliated companies in the last year and up until the publication date of the annual report, and impacts on the Company's financial position: None.

7. Review and analysis of financial position and business performance, and risk management issues

(1) Review and analysis of financial position

Unit: NT$ thousand; %

Item \ Year	2021	2022	Variation	
			Amount	%
Current assets	3,696,285	4,246,657	550,372	14.89%
Financial assets measured at fair value through other comprehensive incomes - non-current	1,068,960	1,098,160	29,200	2.73%
Property, plant and equipment	1,014,529	1,053,525	38,996	3.84%
Right-of-use assets	244,435	180,889	-63,546	-26.00%
Intangible assets	246,691	200,919	-45,772	-18.55%
Goodwill	953,676	1,058,071	104,395	10.95%
Deferred income tax assets	416,976	387,569	-29,407	-7.05%
Other non-current assets	28,539	68,979	40,440	141.70%
Total assets	**7,670,091**	**8,294,769**	**624,678**	**8.14%**
Current liabilities	2,200,537	2,421,498	220,961	10.04%
Non-current liabilities	1,381,411	1,122,546	-258,865	-18.74%
Total liabilities	**3,581,948**	**3,544,044**	**-37,904**	**-1.06%**
Share capital	424,769	425,189	420	0.10%
Capital surplus	592,852	615,845	22,993	3.88%
Retained earnings	2,717,340	3,219,822	502,482	18.49%
Other equity	353,182	489,869	136,687	38.70%
Total shareholders' equity	**4,088,143**	**4,750,725**	**662,582**	**16.21%**

Explanation to significant variations:

1. Right-of-use Assets: The change is due to the continued depreciation expenses in 2022.
2. Other Non-current Assets: Mainly due to the increase of NT$45,246 thousand in prepayments for equipment.
3. Other Equity Items: The difference was mainly due to an increase of NT$192,023 thousand in translation differences on the financial statements of foreign operating institutions and a decrease of NT$55,335 thousand in investment income from equity instruments measured at fair value through other comprehensive income or loss.

(2) Review and analysis of financial performance

(I) Comparative analysis of operating performance:

Unit: NT$ thousand; %

Item	2021	2022	Amount increase (decrease)	Variation (%)
Net operating revenues	6,848,808	7,966,918	1,118,110	16.33%
Operating costs	4,573,431	5,319,459	746,028	16.31%
Gross profits	2,275,377	2,647,459	372,082	16.35%
Operating expenses	1,225,147	1,389,658	164,511	13.43%
Operating profits	1,050,230	1,257,801	207,571	19.76%
Non-operating income and (expenses)	32,673	89,593	56,920	174.21%
Profits before tax	1,082,903	1,347,394	264,491	24.42%
Income tax expense	298,417	382,485	84,068	28.17%
Net income for the period	784,486	964,909	180,423	23.00%

Analysis and explanation of variations:

1. Non-operating income and expenses increased by 174% due to a NT$96,498 thousand increase in exchange gain, a NT$16,600 thousand increase in dividend income, and a NT$60,143 decrease in (loss) gain or loss on financial instruments at fair value through profit or loss in 2022.
2. As a result of the 16.33% growth in revenue, 13.43% growth in expenses, and 174.21% growth in non-operating income in 2022, the profit before tax increased by 24.42% compared to last year and the net income for the period increased by 23% compared to last year.
3. Income tax expenses during the period increased by NT$82,051 thousand, and deferred income tax expense increased by NT$2,017 thousand, resulting in a 28.17% increase in income tax expenses compared with last year.

(II) Analysis of gross profit variation: not applicable as gross profit variation between the two years did not exceed 20%.

(3) Review and analysis of cash flow

(I) Analysis of cash flow variations in the most recent year:

Unit: NT$ thousand

Opening cash balance (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing and financing activities for the year (3)	Currency impact on cash and cash equivalents (4)	Cash surplus (1)+(2)-(3)+(4)	Financing of cash deficits	
					Investment plans	Financing plans
1,199,879	652,129	(758,820)	48,858	1,142,046	None	None

Analysis of cash flow variations for the last year:

(1) Operating activities: net cash inflow of NT$652,129 thousand in the current period was mainly attributed to net income and non-cash expenses (depreciation).

(2) Investing activities: net cash outflow of NT$200,194 thousand in the current period was mainly attributed to net cash outflow incurred for the acquisition of financial assets measured at fair value through other comprehensive income, and acquisition of property, plant and equipment.

(3) Financing activities: net cash outflow of NT$558,626 thousand in the current period was mainly attributed to cash dividend payment and repayment of lease principals.

(II) Improvements for liquidity shortage and liquidity analysis: there is no liquidity shortage.

(III) Liquidity analysis for the next year:

Opening cash balance (1)	Net cash flow from operating activities for the year (2)	Net cash flow from investing and financing activities for the year (3)	Cash surplus (1)+(2)+(3)	Financing of cash deficits	
				Investment plans	Financing plans
1,142,046	1,000,000	(1,100,000)	1,042,046	None	Bank borrowings

1. Analysis of cash flow variation for the next year:
   (1) Net cash inflow from operating activities mainly comprises revenues generated from operations.
   (2) Cash outflows mainly represent the Company's expectations toward operational requirements, capital expenditure, repayment of maturing bank loans, and cash dividend payments.
2. Remedial measures for projected cash surplus (deficit) and liquidity analysis: cash outflows projected for the coming year are mainly associated with operational requirements, which the Company intends to cover using cash inflow from operating activities, or bank borrowings at times of insufficient cash balance.

(4) Material capital expenditures in the last year and impacts on financial position and business performance: None.

(5) Reinvestment policy for the last year, the main reasons for the profits/losses, the plan for improving re-investment profitability, and investment plans for the next year

(I) Reinvestment policy for the most recent fiscal year: the Company is primarily involved in the manufacture and sale of barcode label printers; its investment policies are to gain 100% ownership in upstream and downstream businesses.

(II) Main causes of profit or loss:

Unit: NT$ thousand

Item \ Description	Amount of 2022 profit (loss)	Policy	Main causes of profit or loss	Improvement plans	Investment plans for the coming year
TSC Auto ID Technology America Inc.	36,363	Primarily investment in the core business and focusing on sales and customer service in the Americas	Sales in the Americas have been stable, and expenses are well-controlled	Continue market expansion efforts; strive to increase customer base and revenues	No further investment for the entity is planned in the coming year
TSC Auto ID Technology EMEA GmbH	9,583	Primarily investment in the core business and focusing on sales and customer service in Europe	Sales in Europe have been stable, and expenses are well-controlled	Continue market expansion efforts; strive to increase customer base and revenues	No further investment for the entity is planned in the coming year
TSC AUTO ID TECHNOLOGY ME, Ltd.FZE	(928)	Primarily investment in the core business and focusing on sales and customer service in the Middle East	Revenue declined	Continue market expansion efforts; strive to increase revenues	No further investment for the entity is planned in the coming year
TSC AUTO ID TECHNOLOGY Spain, S.L.	337	Primarily investment in the core business and focusing on sales and customer service in Western Europe	Expenses are well-controlled	Continue market expansion efforts; strive to increase revenues	No further investment for the entity is planned in the coming year
TSC Auto ID (H.K.) Ltd.	96,380	Focusing on domestic sales in China with holdings as the main pillar	Growth of domestic demand in Mainland China and well-controlled expenses	Continue market expansion efforts; strive to increase revenues	No further investment for the entity is planned in the coming year

Item \ Description	Amount of 2022 profit (loss)	Policy	Main causes of profit or loss	Improvement plans	Investment plans for the coming year
Tianjin TSC Auto ID Technology Co., Ltd.	96,048	For production line establishment as well as customer service and sales in Mainland China	Growth of domestic demand in Mainland China and well-controlled expenses	Continue market expansion efforts; strive to increase customer base and revenues	No further investment for the entity is planned in the coming year
Printronix Auto ID Technology Co., Ltd.	(167)	Primarily investment in the core business and focusing on sales and customer service for the Printronix brand in Asia	As the sales business has been transferred to TSC, only service revenue remains	It is expected that the company will close its business when appropriate	No further investment for the entity is planned in the coming year
Shenzhen Printronix Auto ID Technology Co., Ltd.	331	Primarily investment in the core business and focusing on sales and customer service for the Printronix brand in Mainland China	Expenses are well-controlled	None	No further investment for the entity is planned in the coming year
Diversified Labeling Solutions, Inc.	188,610	Focusing on the sale of blank barcode labels and customer service in the Americas	Expenses are well-controlled	Continue market expansion efforts; strive to increase revenues	No further investment for the entity is planned in the coming year
Precisions Press & Label, Inc.	15,282	Focusing on the sale of blank barcode labels and customer service in the Americas	Expenses are well-controlled	Continue market expansion efforts; strive to increase revenues	No further investment for the entity is planned in the coming year
TSC Auto ID Technology India Private Ltd.	(989)	Primarily investment in the core business and focusing on sales in India	The planned development of the sale of barcode printers to the Indian market has not yet generated primary operating income	Continue market expansion efforts; strive to increase revenues	No further investment for the entity is planned in the coming year

(6) Evaluation of risk management issues in the last year and up until the publication date of the annual report:

(I) Impacts of interest rate, exchange rate, and inflation rate on the Company’s profitability in the last year and up to the publication date of the annual report, and response measures.

1. Interest rate: Interest expenses accounted for 0.36% of the Company’s net operating revenues in 2022. These interest expenses had accrued primarily on bank loans that the Company had borrowed for working capital and hedging. Considering that they accounted for a small percentage of consolidated

operating revenues and profit, future interest rate changes should not cause any material impact on the Company's overall operations or profitability.

2. Exchange rate: All subsidiary investments transact in their local currencies, and are therefore exposed to relatively low exchange rate risk. The Taiwan headquarters sells goods in USD, EUR, and RMB and pays for purchases primarily in TWD, USD, and RMB and partially in JPY, which has the partial effect of natural hedge. The Company has finance personnel who constantly monitor exchange rate news through local banks and maintain close contact with foreign exchange departments of banking partners. This interaction allows the Company to predict rises and falls of the TWD currency, choose the best timing for converting export proceeds, and make appropriate adjustments to the balances of foreign currency accounts. The Company shorts currency forwards at appropriate times to reduce the effect of exchange rate variations on the Company's profits. The execution of currency forwards is in accordance with the regulations announced by the competent authority and the Company's "Asset Acquisition and Disposal Procedures."

3. Inflation: In recent years, inflation and raw material and energy prices continue to rise, and the Company increases the prices of some products in a timely manner to respond to the rising prices. Therefore, the inflation rate has no significant impact on the Company.

(II) Policies on high-risk and highly-leveraged investments, loans to external parties, endorsements/guarantees, and trading of derivatives; describe the main reasons for the profits/losses incurred and future response measures.

1. The Company focuses on its core business and invests primarily in entities that are involved in the barcode label industry. The Company does not engage in high-risk or highly-leveraged investments.

2. External party lending: Loans to external parties are arranged according to the Company's "External Party Lending Procedures" and are subject to the board of directors' resolution.

3. Endorsements and guarantees: All endorsements and guarantees to external parties are arranged according to the Company's "Endorsement and Guarantee Policy" and are subject to the board of directors' resolution.

4. Trading of derivatives:

(1) Policy: The Company trades derivatives primarily for hedging purpose, specifically to hedge against risk of changes in market exchange rate for existing or potential assets or liabilities.

(2) Main reasons for the profits/losses: due to exchange rate changes.

(3) Future response measures: The Company not only assigns dedicated personnel to oversee derivative transactions, but also conducts analyses, discussions, and assessments both on a regular and irregular basis to minimize exchange rate risks.

(III) Future research and development plans and projected expenses:

1. Short-term R&D focus:

Speeding up specification/function upgrades for existing products and reducing production costs in accordance with customer needs and trends of market development. The following R&D emphases have been planned for the short term:

(1) To develop industrial barcode printers in order to flesh out TSC's offerings of mid- to high-end products.

(2) To develop mobile barcode label printers that are more lightweight and compact for the mobile workforce.

(3) To develop diverse applications for existing products in target industries, such as healthcare industry and transportation industry. Through product development planning, TSC shall create automated solutions for different industries.

(4) To deploy in the RFID application market by providing desktop and industrial RFID printers to accommodate demands for relevant applications in different domains.

(5) In light of the changes in consumer behavior and the emergence of mPOS, the Company will expand its development of mobile barcode printers in conjunction with the use of smart devices to deliver comprehensive mobile printing solutions.

(6) With the existing customers of DLS as our basis, we shall implement cross-selling strategies by matching with existing products to provide one-stop services and in turn increase our market share.

2. Medium- and long-term R&D focus:

Apart from continuing to improve upon existing products and functions, the Company is expecting to actively commit to the development of AIDC-related hardware and system technologies in light of current industrial trends. TSC will also foray into the domain of software development and system integration as a way to boost its competitiveness.

3. Projected R&D expenses: The Company expects to commit NT$262,609 thousand of R&D expenses in 2023.

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company carries out business activities strictly in compliance with laws and rules of the competent authority, and encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year and up until the publication date of the annual report.

(V) Financial impacts and response measures in the event of technological or industrial changes:

Rapid advancement of technologies, particularly in the electronics industry, gives rise to risks but also open up opportunities for new product applications. The Company pays constant attention to changes in technology and industry, so that appropriate actions can be taken in response.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image:

The Company has been dedicated to maintaining a sound corporate image and complying with regulations since it was founded. As of the publication date of the annual report, there has been no occurrence that compromised the corporate image.

(VII) Expected benefits, risks, and response measures in relation to mergers and acquisitions:

1. Expected Benefits:

On Mar. 15, 2023, the Company's Board of Directors approved the proposed acquisition of 100% of the shares of the Polish company MGN sp. z o.o. through its 100%-owned Polish subsidiary Mosfortico Investments sp. z o.o. in order to develop the label paper business in the European region, which will generate synergy with the Polish company through the sales of the European subsidiary.

2. Possible Risks and Countermeasures:

Raw material and energy prices in Poland continue to rise as a result of the war between Russia and Ukraine.

2. Countermeasures:

Increasing product prices in response.

(VIII) Expected benefits, risks, and response measures associated with plant expansions: None.

(IX) Risks and response measures associated with concentrated sales or purchases:

The Company has a relatively diverse customer base, and no single customer accounted for more than 30% of net revenues in the current period. Given the recent efforts committed to marketing products under a proprietary brand, tightening the management of distribution channels, and exploring new products and markets, the Company should be able to diversify its customer base further in the future to support growth and eliminate risk exposure to a single product or customer group. For the above reasons, the Company expects no risk of sales concentration.

(X) Impacts, risks, and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: None.

(XI) Impacts, risks, and response measures associated with a change of management: None.

(XII) Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, general manager, person-in-charge, or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact on shareholders or security prices of the company; disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of the annual report: None.

(XIII) Other significant risks and response measures:

Risk management framework

Risk management responsibility of various operations within the Company is divided and allocated among the following units:

(1) G.M office:

Responsible for operational decision making and planning, feasibility assessment of risk management plans, assessment of all risk types, establishment of rules to be complied with in routine operations, and overall implementation and enforcement of risk management practices within the Company.

(2) Audit office:

The Audit Office devises and executes annual audit plans based on risk assessment outcomes, and conducts special audits on an unscheduled basis to ensure the effectiveness of risk management solutions implemented.

(3) Finance Dept.:

Responsible for funding and financial planning, and the use of derivatives to reduce exchange rate risk. Complies with applicable laws and rules, such as International Financial Reporting Standards (IFRS) and tax laws, to ensure the reliability of financial reporting and reduce accounting and taxation risks.

(4) MIS Dept.:

Maintenance and management of systems, network, computer terminals, and related equipment, and reduction of networking and cybersecurity risks.

(5) Sales Dept.:

Responsible for executing business plans in alignment with the Company's annual targets. Provides quotations, signs contracts, negotiates order timing, and performs services such as shipment, collection, customer complaint handling, sales return, restocking etc. The department is also responsible for determining credit limits for customers as a means to reduce business risk.

(6) R&D Unit:

Responsible for product development as well as search and analysis of information concerning intellectual property rights for the purpose of avoiding infringement.

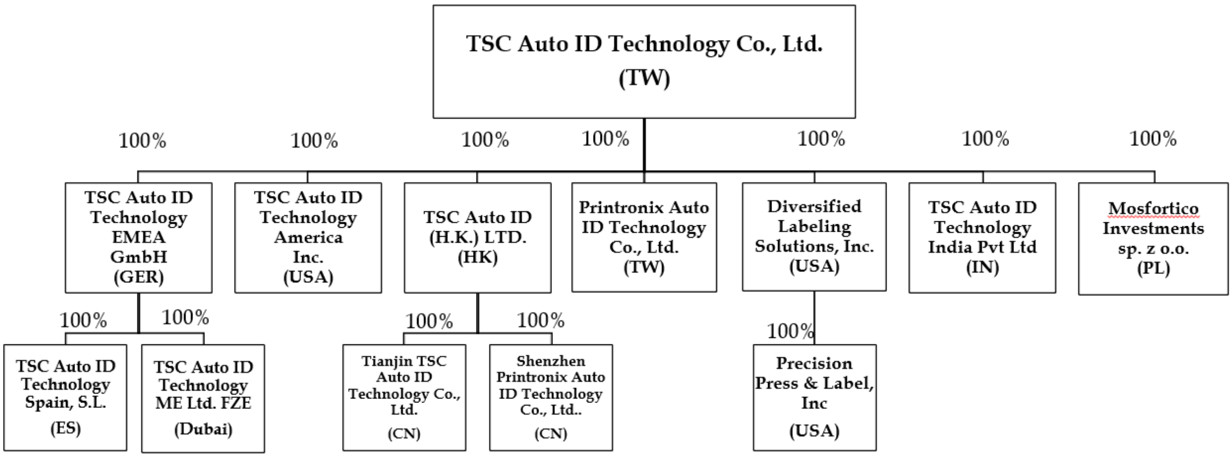
(7) Other material issues:

The Company has implemented comprehensive cybersecurity protection measures for network and computer equipment, along with a disaster recovery plan. Automated alerts and firewalls have been created for the e-mail system as security protections for system and data. No major abnormality has been discovered in this regard.

8. Special Disclosures

(1) Summary of affiliated companies

(I) Affiliated enterprises chart



Apr. 18, 2023; unit: %; thousand shares; NT$ thousand

Name of affiliated enterprise	Relationship with the Company	Affiliated enterprise's shareholding in the Company			The Company's shareholding in the affiliated enterprise		
		Ratio	Shares	Amount	Ratio	Shares	Amount
Taiwan Semiconductor Manufacturing Co., Ltd.	Parent company	36.34	15,453	154,532	5.62	14,800	148,000
TSC Auto ID Technology EMEA GmbH	Subsidiaries	–	–	–	100.00	-	EUR 101 thousand
TSC AUTO ID TECHNOLOGY AMERICA INC.	Subsidiaries	–	–	–	100.00	16,000	US$33,000 thousand
Printronix Auto ID Technology Co., Ltd.	Subsidiaries	–	–	–	100.00	500	NT$5,000
TSC AUTO ID (HK) LTD.	Subsidiaries	–	–	–	100.00	11,711	US$1,654 thousand
Tianjin TSC Auto ID Technology Co., Ltd.	Sub-subsidiary	–	–	–	100.00	-	US$1,500 thousand
Shenzhen Printronix Auto ID Technology Co., Ltd.	Sub-subsidiary	–	–	–	100.00	-	CNY 1,000 thousand
TSC Auto ID Technology ME,Ltd. FZE	Sub-subsidiary	–	–	–	100.00	-	AED 1,001 thousand
TSC Auto ID Technology Spain, S.L.	Sub-subsidiary	–	–	–	100.00	-	EUR 3 thousand
Diversified Labeling Solutions, Inc.	Subsidiaries	–	–	–	100.00	1	US$26,000 thousand
Precision Press & Label, Inc	Sub-subsidiary	–	–	–	100.00	850	US$115 thousand
TSC Auto ID Technology India Private Ltd.	Subsidiaries	–	–	–	100.00	710	US$100 thousand
Mosfortico Investments sp. z o.o.	Subsidiaries	–	–	–	100.00	-	PLN 5 thousand

(Note) Not listed if the holding is below 1,000 shares.

(II) Declaration concerning consolidated financial statements of affiliated enterprises

Declaration

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Accounting Standards No. 27 for financial year 2022 (from Jan. 1 to Dec. 31, 2022). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements; therefore, no separate consolidated financial statements of affiliated enterprises were prepared.

This declaration is solemnly made by

TSC Auto ID Technology Co., Ltd.

Chairman: Wang Hsing Lei

Mar. 15, 2023

(2) Private placement of securities in the last year and up until the publication date of the annual report

Not applicable (the Company did not make any private placement of securities in the last year and up until the publication date of the annual report).

(3) Holding or disposal of the Company's shares by subsidiaries in the last year and up until the publication date of the annual report

Not applicable (no subsidiary has held or disposed the Company's shares in the last year and up until the publication date of the annual report).

(4) Other supplementary information:

Execution of TPEX-listing commitments: The Company has fulfilled all commitments made when applying for TPEX listing, and reports progress regularly to the competent authority.

9. Occurrences of material impact

Occurrences significant to shareholders' equity or security price, as defined in Article 36, Paragraph 2, Subparagraph 2 of the Act, in the last year and up until the publication date of the annual report: None.

TSC Auto ID Technology Co., Ltd.

Chairman: Wang Hsing Lei