Stock Code: 3611

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

Consolidated Financial Statement and Auditor's Audit Report

2022 & 2021

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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 January 1 to December 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

March 15, 2023

Auditor’s Audit Report

To TSC Auto ID Technology Co., Ltd.:

Audit opinions

We have audited the consolidated balance sheet as of December 31, 2022 and December 31, 2021; the consolidated incomes statement from January 1 to December 31, 2022 and from January 1 to December 31, 2021; the consolidated statements of changes in equity and the consolidated statements of cash flows from January 1 to December 31, 2022 and from January 1 to December 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 December 31, 2022 and 2021, consolidated financial performance from January 1 to December 31, 2022 and 2021, and consolidated cash flows from January 1 to December 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 January 23, 2016, and later acquired the main business activities and operating assets from Diversified Labeling Solutions, Inc. in January 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 December 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

March 15, 2023

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

Consolidated Balance Sheet

December 31, 2022 and December 31, 2021

Unit: NT$ thousand

Code	Asset	December 31, 2022 Amount	%	December 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 March 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 January 1 to December 31, 2022 and from January 1 to December 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 March 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 January 1 to December 31, 2022 and from January 1 to December 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	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 January 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 December 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 December 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 March 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 January 1 to December 31, 2022 and from January 1 to December 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 March 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

Notes to Consolidated Financial Statements

From January 1 to December 31, 2022 and from January 1 to December 31, 2021

(Unit: NT$ thousand unless otherwise indicated)

I. Company History

TSC Auto ID Technology Co., Ltd. ("the Company"), founded on March 19, 2007, is a global company in auto-identification systems/products manufacturing and services. The Company was listed on the TPEx on November 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 March 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	January 1, 2022 (Note 1)
IAS 8 Amendment: Definition of Accounting Estimates	January 1, 2023 (Note 2)
IAS 12 Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	January 1, 2023 (Note 3)

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

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

Note 3: The amendment is applicable to the transactions after January 1, 2022 except for temporary differences in relation to leases and decommissioning obligations on January 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	January 1, 2024 (Note 2)
IFRS 17: Insurance Contracts	January 1, 2023
IFRS 17 Amendment	January 1, 2023

Newly published/amended/revised standards and interpretations	IASB release and effective date (Note 1)
IFRS 17 Amendment: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	January 1, 2023
IAS 1 Amendment: Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 1 Amendment: Non-current Liabilities with Covenants	January 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

<u>Vested employee stock options</u>

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 the Republic of China, 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. <u>Key Sources of Uncertainty in Significant Accounting Judgements, Estimates and Assumptions</u>

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.

<u>Assessment of goodwill impairment</u>

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

	December 31, 2022	December 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:

	December 31, 2022	December 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

	December 31, 2022	December 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:

December 31, 2022

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

December 31, 2021

	Currency	Maturity	Nominal value (NT$ thousand)
Short forwards	Euro to NTD	January 14, 2022 to February 16, 2022	EUR 5,000 /NTD 157,122
	USD to NTD	January 21, 2022 to April 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:

December 31, 2022

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

December 31, 2021

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

	December 31, 2022	December 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

	December 31, 2022	December 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:

December 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

December 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

	December 31, 2022	December 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:

	December 31, 2022	December 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 December 31, 2022	Shareholding percentage December 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 July 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 September 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 January 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 December 31, 2021	$ 225,340	$ 383,900	$ 822,897	$ 175,439	$ 14,170	$1,621,746
Accumulated depreciation						
Balance on January 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 December 31, 2021	$ -	$ 117,503	$ 381,087	$ 108,627	$ -	$ 607,217
Net balance as of December 31, 2021	$ 225,340	$ 266,397	$ 441,810	$ 66,812	$ 14,170	$1,014,529
Cost						
Balance on January 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 December 31, 2022	$ 225,340	$ 385,439	$ 917,857	$ 204,360	$ 29,498	$1,762,494
Accumulated depreciation						
Balance on January 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 December 31, 2022	$ -	$ 127,321	$ 454,674	$ 126,974	$ -	$ 708,969
Net balance as of December 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

	December 31, 2022	December 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

	December 31, 2022	December 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:

	December 31, 2022	December 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:

	December 31, 2022	December 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 January 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 December 31, 2021	$ 139,729	$ 320,092	$ 50,607	$ 123,450	$ 135	$ 634,013
Accumulated amortization						
Balance on January 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 December 31, 2021	$ 85,464	$ 179,331	$ 37,955	$ 84,437	$ 135	$ 387,322
Net balance as of December 31, 2021	$ 54,265	$ 140,761	$ 12,652	$ 39,013	$ -	$ 246,691
Cost						
Balance on January 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 December 31, 2022	$ 153,667	$ 355,132	$ 50,607	$ 139,493	$ 135	$ 699,034
Accumulated amortization						
Balance on January 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 December 31, 2022	$ 110,110	$ 237,839	$ 44,281	$ 105,750	$ 135	$ 498,115
Net balance as of December 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

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

(II) Long-term loans

	December 31, 2022	December 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	October 14, 2025	July 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

	December 31, 2022	December 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 March 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:

	December 31, 2022	December 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
January 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)
December 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	-	-	-
December 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:

	December 31, 2022	December 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:

	December 31, 2022	December 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.

	December 31, 2022	December 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

	December 31, 2022	December 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

	December 31, 2022	December 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 March 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 June 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 December 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

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	$ 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	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	$ 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 December 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 December 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 December 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 December 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 April 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)
December 31, 2022		
$ 159.9	868.5	2.5
$ 194.8	27	3.27
December 31, 2021		
$ 170.8	918	3.5
$ 208.1	27	4.27

The valuation of the employee stock options granted in April 2021 is based on the Black-Scholes model, with the inputs as follows:

	April 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 July 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 July 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:

	December 31, 2022	December 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

December 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

December 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

	December 31, 2022	December 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:

	December 31, 2022	December 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 December 31, 2022 and December 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.

December 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	$ -

December 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.December 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)	$ -	$ -	$ -

December 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

	December 31, 2022	December 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 December 31, 2022 and December 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	December 31, 2022	December 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	December 31, 2022	December 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 March 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 February 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 March 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)

December 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

December 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

January 1, 2022 to December 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 thousan	$ 214,970 (USD7,000 thousan	$ 52,207 (USD1,700 thousan	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 thousar	307,100 (USD10,000 thousar	168,905 (USD5,500 thousan	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 December 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

January 1, 2022 to December 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 December 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

December 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

January 1, 2022 to December 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

December 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 March 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

January 1, 2022 to December 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.

January 1, 2022 to December 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	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 July 1, 2022 due to the restructuring in the Group.

Note 4: TSCAA has consolidated the shares of PTNX US on July 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

January 1, 2022 to December 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 August 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 December 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

January 1, 2022 to December 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 December 31, 2022.

TSC Auto ID Technology Co., Ltd.

Information on major shareholders

December 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.