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2022 Annual Report

1. Company Spokesperson and Deputy Spokesperson

Spokesperson

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Title: Vice President and Chief Financial Officer

Phone: (03) 578-7888

Deputy Spokesperson

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Title: Manager

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2. Address and telephone number of the head office, branch office and factory

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Phone: (03) 578-7888

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3. Name, address, Faraday's official website and telephone number of stock transfer institution

Name: Horizon Securities Co., Ltd.

Address: 3rd Floor, No. 236, Section 4, Xinyi Road, Taipei City

Faraday's official website: www.honsec.com.tw

Phone: (02) 2700-8899

4. The names of the CPAs of the most recent annual financial report, name of the firm, address, Faraday's official website address and telephone number.

CPAs: Yu-Ni Yang and Hsin-Min Hsu

Firm Name: Ernst & Young

Address: 9th Floor, No. 333, Section 1, Keelung Road, Taipei City

Faraday's official website: www.ey.com.tw

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5. Name of venue for trading of listed overseas securities and the way to inquire about the information of the overseas securities

Not applicable

6. Company Faraday's official website www.faraday-tech.com

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I. Letter to Shareholder

Dear Shareholders,

Year of 2022 was full of challenges and opportunities for Faraday Technology. The turbulent geopolitical situation and global inflation brought uncertainties that acted as headwinds for the global economy. However, during the changes in supply and demand in the semiconductor industry, we cooperated closely with our supply chain and customers to stay informed of supply and demand changes and did our best to support our customers' growth. Internally, we focused on technological development and digitalization to improve operational efficiency by applying digital technology. By vertically and horizontally integrating the various valuable departments within the company, we generated a unique business model that accelerated overall operational growth. In 2022, Faraday had a fruitful year, achieving over NT\$10 billion in consolidated revenue, and setting new record-high revenues in Silicon Intellectual Property (IP), Non-Recurring Engineering (NRE), and Mass Production. Among the key three revenue categories, mass production revenue has grown continuously for four years and played a crucial role in operational growth. With the relentless efforts of all Faraday's global employees, we achieved a new milestone in 2022, setting historical highs in both consolidated revenues and profit. Consolidated revenue reached NT\$13.07 billion, a growth of 62% compared to the previous year, and the basic earnings per share grew by 112% to NT\$9.88.

The main operating results of Faraday in 2022 are as follows:

- Improvement in the penetration rate of key processes and a record high in Silicon Intellectual Properties (IP) revenue. Faraday is one of the few ASIC manufacturers with self-developed IPs, and its comprehensive database not only reduces design integration risks for customers but also generates revenue for the Company. In addition to investing in research and development of key process IP, Faraday also continues to develop advanced process IP platforms to meet customers' technical planning and process transfer needs. The impressive performance of the IP business is the result of the Company's long-term investment in IP technology development. In 2022, IP revenue grew 26% compared to the previous year, reaching a historical high of NT\$1.34 billion.
- ASIC business orders are stable along with Non-Recurring Engineering (NRE) revenue continuously reaching record highs. Faraday maintains close business relationship with customers, and with the support of a loyal customer base, the Company has consistently maintained a high level of design wins and order amounts throughout the year. In terms of applications, we primarily focus on niche applications with long product lifecycles, emphasizing the improvement of quality and efficiency. The main application areas cover four major fields: energy management, production efficiency, green energy, and quality of life, and the purposes and values of these applications are linked to sustainable development. In 2022, NRE revenue increased by 22%, reaching a new historical high of NT\$1.72 billion.
- The optimization of revenue structure has led to four consecutive years of growth in mass production. The business model of Faraday has resulted in a robust product application and customer base structure, enhancing the company's operational resilience and ability to withstand economic fluctuations. Mass production, as a regular source of revenue, has accounted for over 70% of the total revenue, strengthening the growth and predictability of revenue and enabling the company to achieve outstanding results against the odds. In 2022, the revenue from mass production increased significantly by 78% compared to the previous year, reaching a historical high of NT\$10 billion.

Faraday continues to innovate and invest in research and development resources. The technological breakthroughs and achievements of the company in the year 2022 include:

- Faraday Silicon Intellectual Property has obtained the ISO 26262 ASIL-D Ready certificate,

the highest level of automotive safety, awarded by the German automotive testing and certification organization SGS-TÜV.

- Successfully launched the SoCreative!VI™ A600 SoC development platform using the Samsung 14 LPP FinFET process. This platform is suitable for applications such as AIoT, edge computing, multimedia, and communication, and this platform can help customers shorten their time to market effectively.
- Completed the silicon verification of Gigabit Ethernet PHY IP in the UMC 28 HPC Plus process. This can assist customers in developing network communication and industrial control related applications more efficiently.
- Launched the FPGA-Go-ASIC™ verification platform, which includes SoCreative!™ SoC verification platform and an additional FPGA prototype platform to help customers accelerate circuit design and system verification.
- Published a set of IP combinations for the Samsung 14LPP FinFET process, including LPDDR4/4X PHY, MIPI D-PHY, V-by-One, FPD-link, LVDS I/O, ONFI I/O, and Memory Compilers, currently all available on Samsung SAFE™ IP platform.
- Introduced chip design services that can support multiple foundries' FinFET processes, utilizing Faraday's ASIC design experience and resources to assist customers in rapidly launching their products.
- Collaborated with Infineon on the UMC's 40uLP process to launch the SONOS embedded flash memory (eFlash) platform.

Faraday not only focuses on its core business, but also places great emphasis on implementing sustainable development practices, which have been well received by external stakeholders. The Company has won the "Excellence in Corporate Social Responsibility" from the Common Wealth Magazine for the first time and has shown outstanding performance throughout the year of 2022. In terms of corporate governance, Faraday has been ranked among the top 6% to 20% in two consecutive years in corporate governance evaluations, and has been included in the "Taiwan Corporate Governance 100 Index", "Taiwan Mid-Cap 100 Index", "Taiwan High Compensation 100 Index", and Harvard Business Review's "Taiwan Top 100 Best Performing CEOs for 2022". Additionally, the Company's commitment to quality management has earned the highest level of the "Excellence in Management Quality Award" with three stars from the Chinese Society of Quality, making Faraday the first IC design company to receive such honor. The Company also values talent cultivation, using prospective layouts and systematic mechanisms to develop and nurture talents, which has led to us receiving the "2022 National Talent Development Award" in the large corporates category from the Ministry of Labor. This award represents the highest honor in the national human resources field.

Looking towards to the future, Faraday will uphold the vision of "Inside of every IC, Faraday's value is in sight" and the management philosophy of "synergy for excellence", while continuously strengthening the Company's fundamentals. Faraday will work together with customers, supply chain partners, and all employees to practice sustainable business operations and continue moving forward on the path of sustainable development. Finally, we would like to express our gratitude to all shareholders for their long-term support of Faraday. Our entire team will continue to work hard to create the greatest value for our shareholders.

Chairman: Chia-Tsung Hung

President: Kuo-Yung Wang

Accounting Officer: Wen-Ju Tseng

II. Company Profile

1. Date of establishment

June 10, 1993

2. Company history

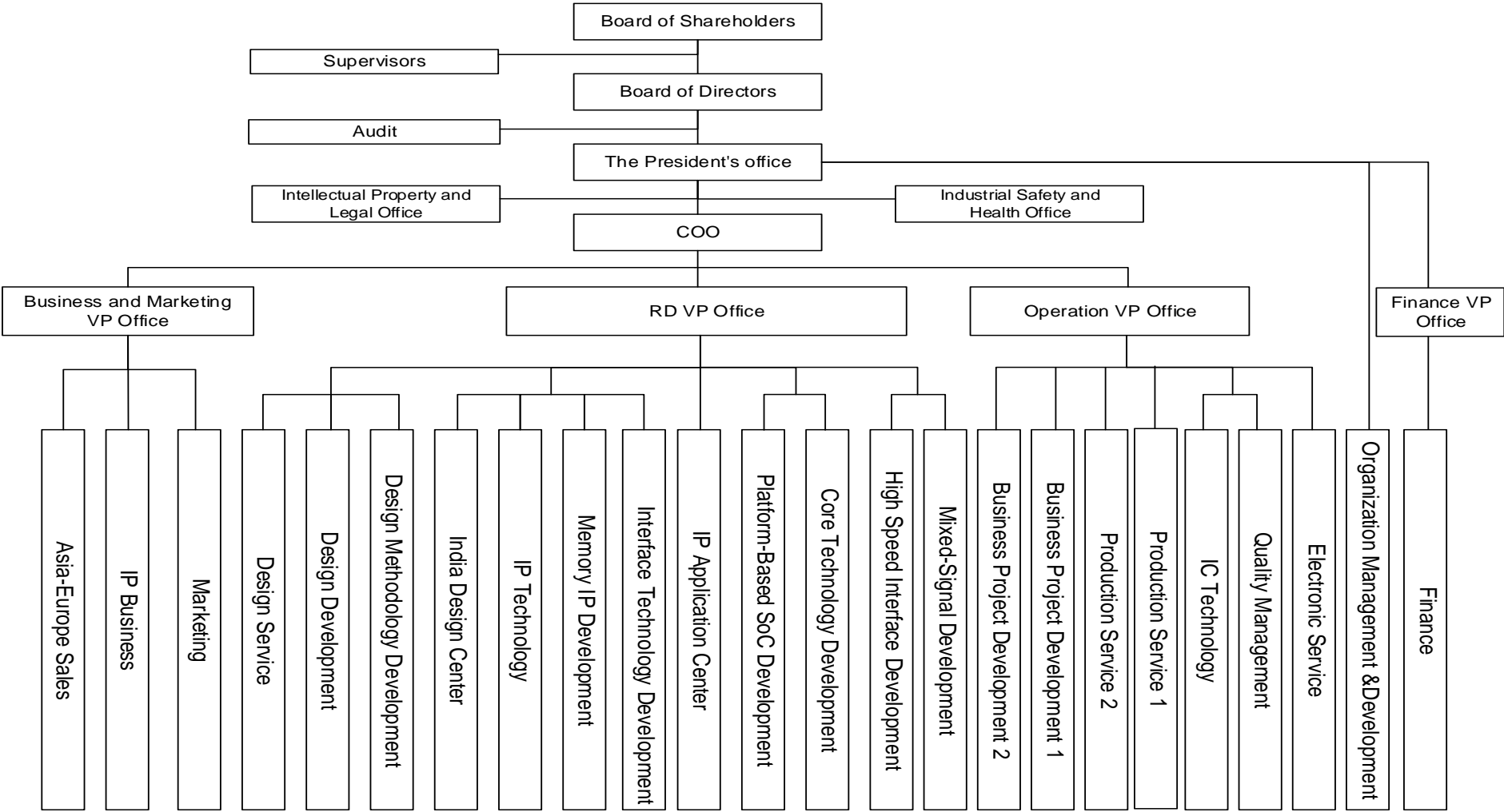
Year	Milestones
1993	Founded in Hsinchu Science Park, Taiwan, as the first fabless ASIC design service provider in Asia
1997	ISO 9001 certified
1999	Listed on Taiwan Security Exchange (TAIEX:3035)
2001	Introduced 0.13μm libraries for UMC process
2002	Developed a comprehensive IP portfolio for UMC 90nm process and beyond
	Launched its first ARM based CPU Core FA510
2003	Introduced 0.18μm IPs for "Serial ATA II PHY" and Controller
	Introduced its first SoC platform solution "IA-Composer™"
	Introduced its USB OTG IP
	Launched its second ARM based CPU core FA526
2004	Awarded "Outstanding Financial Performance Fabless Company" by FSA
	Announced its first generic platform SoCreative!™
	Introduced the first silicon-proven TFT LCD T-CON Platform FT-300
2005	Announced low power dissipation platform solution - PowerSlash™
	Introduced industry's smallest USB 2.0 PHY IP
	Announced 0.18μm Ultra-High-Density Silicon IP platform - "miniIP™"
2006	Introduced a New MP3 Player SoC - FIE7010
2007	Received the Frost & Sullivan Award for "Customer Service Innovation" in the area of VLSI design services
	Implemented ultra-small ARM926EJ-S™ hard core in UMC 0.13μm process
	Launched silicon-proven DDR2 memory physical interface IP
	Introduced the ARMv5 compliant ultra-low power core FA606TE and high performance processor FA626TE
2008	Offered the first memory compiler in UMC 65nm LL process
	Announced the first commercially available 1GHz memory compiler in UMC 90nm
	Offered the miniaturized cell library miniLib™ in 90nm and 65nm
2009	Launched PCIe2.0 at 90nm with passing the compliance test
	Pioneered to launch the USB 3.0 PHY in UMC 0.13um
	Offered 55nm/65nm/0.13μm miniIO™ with around 40% area-saving and robust ESD performance

	SATA 3 PHY & controller first to achieve compliance in UMC's 90nm process
2010	Announced USB 3.0 PHY in UMC 0.11um aluminum process
	All Faraday's USB 3.0 PHY and controller solutions got certified with logo on products
	Introduced its high-performance 1GHz ARMv5 compliant processor - FA726TE
	Assisted the customer to get the certification of USB 3.0 host controller
2011	Cooperated with the customer to launch its 4-port USB 3.0 host controller chip
	Introduced the high-performance IQ ADC/DAC IP solutions for wireless communications in 55nm
2012	Optimized a complete IP portfolio for UMC processes ranging from 0.11um to 28nm nodes
	Extended license for ARM® Cortex™-A9 processors and Mali™-400 MP GPUs
	Delivered a 340 million gate-count SoC at 40nm process
2013	Announced the silicon-proven MIPI CSI-2 and DSI solutions
	Announced its Dual-core Cortex-A9-based SoC Platform to accelerate SoC Development in Cloud Computing
	Strengthening its ASIC Design Service Sales Network North America with 10 more agents
2014	Delivered a complete set of UMC 28nm cell libraries and memory compilers
2015	Announced the silicon-proven imaging subsystem consisting of a single combo PHY IP of MIPI, LVDS, sub-LVDS, and HiSPi
	Delivered a complete set of UMC 55nm eFlash cell libraries and memory compilers
2016	Announced Uranus™ SoC Development Platform on 55ULP eFlash process
	Delivered 12.5G SerDes PHY & V-by-One PHY on UMC 28nm HPC process
	MIPI IP Subsystem Shipment up to fifteen million
2017	Launched the FPGA-to-ASIC turnkey service
	World's First Automotive ASIC Qualified for AEC-Q100 and AEC-Q006
	Announced world's smallest footprint 40eHV and 40LP SRAM compiler
	World's first ISO 26262 certified ASIC service company
2018	Unveiled the Industry's Smallest USB 2.0 OTG PHY IP
	The first tape-out at the FinFET process
	ASIC service leveraging Samsung FinFET platform
2019	Launched a Complete Set of 22nm Fundamental IP
	Led industry with 28G Programmable SerDes at 28nm for Networking ASIC
	Launched FIE3240 SoC platform for IoT applications
	Showcased SoCreative!V™ SoC platform

2020	Released licensable Gigabit Ethernet PHY on UMC 40LP platform
	Launched Ariel™ SoC Platform to drive IoT development
	Led industry to adopt TCFD framework for corporate sustainability
2021	Unveiled Complete Imaging and Display High-Speed Interface IP Set on UMC 28nm and 40nm Processes
	Announced Proven MIPI D-PHY and LPDDR4/4X for Samsung Foundry
	Put ESG into Practice and Receives Excellent Quality Practice Award
2022	Launched Cortex-A53 based SoCreative!VI™ SoC Development Platform
	Unveiled SONOS eFlash Platform with Infineon on UMC 40uLP
	IP Solutions Certified by SGS-TÜV for ISO 26262 ASIL-D Ready
	Awarded the "National Talent Development Award" for large companies by the Ministry of Labor
	Awarded the highest level of "Excellence in Quality Practice Award" (3 stars) by the Chinese Society for Quality

III. Corporate Governance Report

1. Organizational structure
(1) Organizational structure



(2) Businesses of Major Departments

1	<p>【President's Office】</p> <p>a. To supervise the operations of Business and Marketing VP Office, RD VP Office, Operation VP Office, Finance VP Office, Asia-Europe Sales, Administration, Audit, Business Project Development1, Business Project Development2, Core Technology Development, Design Development, Design Methodology Development, Design Service, Electronic Service, Finance, Global Customer Service, High Speed Interface Development, IC Technology, Intellectual Property and Legal Office, IP Application Center, IP Business, Interface Technology Development, IP Technology, India Design Center, Memory IP Development, Marketing, Mixed-Signal Development Division, Organization Management and Development, Platform-Based SoC Development, Production Service 1, Production Service2, Quality Management, Industrial Safety and Health, various project teams, and all overseas subsidiaries.</p> <p>b. Create the corporate operation strategy plan, and the implementation and execution of the operation strategy.</p> <p>c. Provide the yearly departmental quality objectives and the evaluation scale.</p> <p>d. Re-adjustment and approval of the organizational responsibilities of each department.</p> <p>e. The cross-functional integration, coordination, and supporting of the overseas subsidiaries and branches; The marketing technical demands, and resources planning to elevate the operational efficiency internationally and the enforcement of the regional services.</p>
2	<p>【Business and Marketing VP Office】</p> <p>Be responsible for setting and executing operation policies on ASIC business, IP business, marketing, and global customer services; supporting related business activities in branch offices.</p>
3	<p>【RD VP Office】</p> <p>Responsible for setting and executing the RD development policies and operation management.</p>
4	<p>【Operation VP Office】</p> <p>Responsible for setting and executing the production operation policies and operation management.</p>
5	<p>【Finance VP Office】</p> <p>Responsible for setting and executing the finance & accounting operation policies and management.</p>
6	<p>【Asia-Europe Sales】</p> <p>a. Responsible for ASIC business in Taiwan and design service business.</p> <p>b. Responsible for ASIC business in Europe and Korea or newly developed regions and design service business.</p> <p>c. The main function of technical consultant department is to negotiate and discuss the technical issues of a project before signing contract for cooperation with client.</p>
7	<p>【Audit】</p> <p>a. Creation, follow up, execution, and discussion of the internal auditing system.</p> <p>b. Study and review of the internal control system.</p>
8	<p>【Business Project Development I】</p>

	Responsible for regional project management in Taiwan, the United States, Europe, Korea and Japan. The function of project management will vary according to different regions, including the technical coordination and discussion before the cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
9	【Business Project Development II】 Responsible for regional project management in mainland China, including the technical coordination and discussion before the first-stage project cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
10	【Core Technology Development】 Responsible for the design, verification and maintenance, and assisting in the verification of digital IP applications on systems. <ul style="list-style-type: none"> a. Interface IP b. Microprocessor c. System Component d. Software Development e. Verification Technology
11	【Design Development】 <ul style="list-style-type: none"> a. ASIC Consultant b. DFT Design Flow c. Logical Design Flow d. Physical Implementation Flow e. Physical Implementation
12	【Design Methodology Development】 Improve the integration and integration of tools, services and methodologies to provide efficient and high-quality design processes. <ul style="list-style-type: none"> a. Chip Package Co-design b. Chip Power Quality c. Signal Ethical and Co-Design
13	【Design Service】 <ul style="list-style-type: none"> a. Chips' Physical Layout b. Auto Design
14	【Electronic Service】 Planning the electronic structure to coordinate the resources of the business information system and the operation of departments. <ul style="list-style-type: none"> a. Computing and Storage Management b. Enterprise Resource System c. Enterprise Resource System d. Integration Application Development e. Network and System Management
15	【Finance Division】 <ul style="list-style-type: none"> a. Accounting Management b. Financial Management and Strategy Management c. Investor Relations d. Payroll
16	【High Speed Interface Development】 <ul style="list-style-type: none"> a. Communication Algorithm b. High Speed IO Digital

17	【IC Technology】 a. Assembly Service b. Mass Production Technology: Mass Production Development, Production Engineering c. Reliability Assurance d. Test Engineering: Test Assurance, Hardware Engineering, Software Engineering
18	【India Design Center】 Responsible for advanced IP or design technology development. a. Memory Interface Development b. Memory Interface Layout
19	【Intellectual Property and Legal Office】 a. Intellectual Property b. Legal Affairs
20	【IP Application Center】 a. Application Development b. Inter-Operability & Software Testing c. IP Verification Center d. Layout and Manufacturing e. System Application f. System Interface g. Technical Document Center
21	【IP Business】 a. IP Business b. Customer Engineering
22	【IP Technology Division】 To implement the high-efficiency and high-quality IP design and IP management that can be obtained by improving and integrating the tools, services, and methodologies. a. Physical Verification Technology b. IP Fundamental Technology c. IP Design Model d. IP Management Center e. OIP Management Center f. Library Design Development g. Next Generation Library h. Layout
23	【Industrial Safety and Health】 a. Determine the annual work plan of occupational safety and health and supervise the implementation of relevant departments. b. Plan and supervise the inspection and record of safety and health management of each department. c. Plan and supervise the management and operation of organic solvents and the implementation of operating environment measurement. d. Plan and implement education training related to safety and health. e. Plan for employee health check and implement health management. f. Formulate occupational disaster prevention plans and implement occupational disaster investigation, reporting, statistics and reporting operations. g. Provide employees with safety and health consulting services. h. Provide suggestions and information related to safety and health improvement. i. Other business in accordance with safety and health laws shall be performed.
24	【Interface Technology Development】 To develop and support the intellectual property of ASIC products. To support the

	<p>plan of technical marketing direction and to integrate the development resources to establish competitiveness.</p> <ul style="list-style-type: none"> a. IO Develop b. IO Library Design c. DDRPHY d. ESD Development & Standard IP testing
25	<p>【Memory IP Development】</p> <ul style="list-style-type: none"> a. Library Application Technology b. Memory Design Flow c. Memory Development
26	<p>【Marketing】</p> <ul style="list-style-type: none"> a. Central PM. b. IP Outsourcing. c. Marcom
27	<p>【Mixed-Signal Development】</p> <ul style="list-style-type: none"> a. Analog Data Converter b. Clock Generator Design c. DC-DC Converter d. High Speed I/O Analog e. Serial Link f. Serial Display Circuit
28	<p>【Organization Management and Development】</p> <p>Handling administrative co-ordination and centrally supervising human resources, documentation, general affairs and factory operations; controlling departmental expense budgets, and setting departments' work guidelines and implementing them.</p> <ul style="list-style-type: none"> a. Human Resource Management b. Human Resource Development c. Document Control Center d. General Service e. Education Training Committee
29	<p>【Platform-Based SoC Development】</p> <p>Establishing software environment, hardware integration and verification environment and automation processes required for platform-based SoC development, and providing high-quality and high-efficiency platform-based SoC design and development, system application development and software testing, and system architecture analysis and development.</p> <ul style="list-style-type: none"> a. SoC Automation Design b. SoC Hardware Design c. SoC Intelligent Platform Design d. Software Development e. SoC Architect f. SFV SoC Function Validation g. Virtual Platform Design h. SoC Verification i. PPD Premier Platform Design

30	【Production Service 1】 a. Procurement Management b. Production Planning
31	【Production Service 2】 a. Foundry Procurement Management b. Global customer service
32	【Quality Management】 a. Production Quality Management b. Quality Assurance c. Quality System

2. Information of Directors and Key Managers

(1) Information of Directors

March 26, 2023

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Chia-Tsung Hung	Male 61~70	July 7, 2021	3 years	Jun 9, 2015	—	—	—	—	—	—	—	—	Chairman, United Microelectronics Corporation Bachelor of Accounting, Tamkang University Honorary Doctorate of National Tsing Hua University	Chairman & Chief Strategic Officer, United Microelectronics Corporation Chief Strategic Officer, Faraday Technology Corporation Chairman, Hong Cheng Venture Capital Chairman, Hong Ding Venture Capital Director, TriKnight Capital Corporation. Executive Director, United Semiconductor (Shandong) Chairman, UMC Capital Corp. Director, United Microelectronics (Europe) B.V.	—	—	—	—
Entity represented by Chairman	ROC	United Microelectronics Corporation	—	July 7, 2021	3 years	May 2, 2002	34,240,213	13.77%	34,240,213	13.77%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
Juristic-Person Director	ROC	United Microelectronics Corporation	—	July 7, 2021	3 years	May 2, 2002	34,240,213	13.77%	34,240,213	13.77%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
		Representative: Ying-Sheng Shen	Male 51~60	July 7, 2021	3 years	Jun 15, 2016	—	—	—	—	—	—	—	—	Vice President, United Microelectronics Corporation Bachelor of Electrical Engineering, Feng Chia University EMBA Master of Business Administration, National Taiwan University	Associate Vice President, United Microelectronics Corporation	—	—	—	—
Juristic-Person Director	ROC	Unimicron Technology Corp.	—	July 7, 2021	3 years	Jun 12, 2012	120,000	0.05%	120,000	0.05%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
		Representative: Zhen-Li Huang	Male 71~80	July 19, 2021	3 years	July 19, 2021	—	—	—	—	—	—	—	—	CPA, Zheng Ji Accounting Firm Professor of Accounting, Tamkang University Independent Director, United Microelectronics Corporation Ph.D. of Accounting, University of Warwick	Professor of Accounting, Tamkang University	—	—	—	

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	Kuo-Yung Wang	Male 51~60	July 7, 2021	3 years	Nov 21, 2011	371,990	0.15%	371,990	0.15%	150,600	0.06%	—	—	President, Faraday Technology Corporation Chairman, Sheng Bang Investment Corporation Chairman, Chih Hung Investment Corporation Vice President, United Microelectronics Corporation Master of Industrial Engineering, National Tsing Hua University	President, Faraday Technology Corporation Chairman, Sheng Bang Investment Corporation Chairman, Chih Hung Investment Corporation Chairman, United Business Service Corporation (Chongqing) Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman, Artery Technology Company Chairman, Artery Technology Corporation-Cayman	—	—	—	—
Director	ROC	Shih-Chin Lin	Male 51~60	July 7, 2021	3 years	Jun 15, 2016	220,000	0.09%	160,000	0.06%	—	—	—	—	COO, Faraday Technology Corporation Senior Director, United Microelectronics Corporation Master of Electrophysics, National Chiao Tung University	COO, Faraday Technology Corporation Chairman, Innopower Technology Corporation Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology China Corporation Chairman, Faraday Technology Japan Corp. Chairman, FaradayTek Solutions India Private Limited Director, Faraday Technology Corporation (Suzhou) Director, United Business Service Corporation (Chongqing)	—	—	—	—

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children’s Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	Wen-Ju Tseng	Female 51~60	July 7, 2021	3 years	Jun 15, 2018	112,915	0.04%	62,915	0.03%	—	—	—	—	CFO&VP, Faraday Technology Corporation Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology (Samoa) Corp. Chairman,Bright Capital Group Limited (BCGL) Chairman,Faraday Technology Corp.(B.V.I.) Director, Artery Technology Corporation Director, Artery Technology Corporation, Ltd. (Chongqing) Director , Artery Technology Company Director, ShiehYung Investment Corporation Supervisor,Faraday Technology China Corporation Supervisor, Faraday Technology Corporation (Suzhou) Supervisor, United Business Service Corporation (Chongqing) Supervisor, Innopower Technology Corporation (Chongqing) Supervisor, United Creative Solution Corporation (Shanghai) Supervisor, Grain Media Inc. Supervisor,Faraday Technology Japan Corp.	—	—	—	—	
Independent Director	ROC	Ning-Hai Jin	Male 71~80	July 7, 2021	3 years	Jun 9, 2015	—	—	—	—	—	—	—	—	Representative of Juristic-Person Director,Genesis Photonics Inc. President, Aurora Group Master of Engineering Science, University of Michigan	Chairman, Blueocean Optoelectronics Technology Chairman, Xingge Media Representative of Juristic-Person Director, CTBC Insurance Co., Ltd.	—	—	—	—

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	Bing-Kuan Luo	Male 61~70	July 7, 2021	3 years	Jun 15, 2018	—	—	—	—	—	—	—	—	Independent Director, Shandong Dadi Chinese Salt Industry Corp Director and Supervisor, GenDing Corporation Consultant, Eastern Taiwan Joint Services Center, Executive Yuan Director, Mega International Investment Trust Co., Ltd Director, Mega Venture Capital Co., Ltd. Master of law, Fu Jen Catholic University PhD of Management, Shanghai Fudan University	Chairman, Huashan Internation Consultant Chairman, Taiwan Independent Director Association Independent Director, Hua Nan Commercial Bank, Ltd. Director,Taiwan M&A and Private Equity Council (MAPECT) Director, Monte Jade Science & Technology Association of Taiwan	—	—	—	—
Independent Director	ROC	Wan-Fen Zhou	Female 51~60	July 7, 2021	3 years	July 7, 2021	—	—	—	—	—	—	—	—	CFO, Dawning Leading Technology Inc. Deputy Manager, United Microelectronics Corporation Director, King Yuan Electronics Co., Ltd. Supervisor, ShiehYung Investment Corporation Bachelor of International Trade ,Tamkang University	Senior Director, King Yuan Electronics Co., Ltd. Supervisor, Hsun Chieh Investment Co., Ltd. Director, Silicon Integrated Systems Corp.	—	—	—	—

(2) Major Shareholders of Institutional Shareholders

Form 1: Major Shareholders of Corporate Shareholders

March 31, 2023

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
United Microelectronics Corporation (the shareholding record date is the ex-dividend date on March 29, 2022)	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs(4.9%)、Hsun Chieh Investment Co., Ltd.(3.54%)、Fubon Life Insurance Co, Ltd.(2.42%)、Silicon Integrated Systems Corp.(2.29%)、Taiwan Life Insurance Co, Ltd.(1.76%)、CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP.(1.55%)、New Labor Pension Fund(1.50%)、Yann Yuan Investment Co., Ltd.(1.28%)、China Life Insurance Co, Ltd.(1.17%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.11%)
Unimicron Technology Corporation (the shareholding record date is the ex-dividend date on July 19, 2022)	United Microelectronics Corporation(13.30%)、New Labor Pension Fund(4.64%)、Yann Yuan Investment Co., Ltd.(1.56%)、Old Labor Pension Fund(1.49%)、JP Morgan Chase Bank Custody of JP Morgan Securities Co., Ltd. Account(1.43%)、Nan Shan Life Insurance Co., Ltd.(1.26%)、Cathay Life Insurance Co.,Ltd.(1.23%)、Morgan Managed Van Gard Emerging Markets Equity Index Fund Account(1.20%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.11%)、HSBC Bank in Custody for Morgan Stanley & Co. International Plc Account(1.08%)

Form 2: If any Major Shareholder Listed in Form 1 is a Corporate/Juristic

Person, List its Major Shareholders in this Form

March 31, 2023

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
Hsun Chieh Investment Co., Ltd.	ShiehYung Investment Corporation (63.51%), United Microelectronics Corporation (36.49%)
Fubon Life Insurance Co., Ltd	Fubon Financial Holding Co., Ltd.(100%)
Silicon Integrated Systems Corporation.	United Microelectronics Corp (19.02%)、Hsun Chieh Investment Co., Ltd. (4.80%)、Hsing Sen, Liu (1.38%)、Long-Syong, Ye(1.28%)、Morgan Managed Van Gard Emerging Markets Equity Index Fund Account (1.19%)、JP Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.16%)、Standard Chartered Bank (Taiwan) Limited as custodian of Credit Suisse Securities (Europe) Limited (0.55%)、Tsong-Ming, Chuang (0.49%)、JP Morgan Chase Bank N.A. in custody of Vanguard Trust Stock Index Fund II (0.47%)、Gao-Huang, Lin (0.37%)
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.(100%)
Yann Yuan Investment Co., Ltd.	Silicon Integrated Systems Corporation. (27.94%)、United Microelectronics Corp (26.78%)、King Yuan ELECTRONICS CO., LTD. (14.55%)、Unimicron Technology Corporation (11.64%)、Coretronic Corporation (11.06%)、Sigurd Microelectronics Corporation (5.70%)、Hsun Chieh Investment Co., Ltd.(2.33%)
Nan Shan Life Insurance Co., Ltd.	Ruen Chen Investment Holding Co., Ltd. (89.55%)、Reun Hua Dyeing & Weaving Co.,Ltd. (1.34%)、Y. T. Du (1.16%)、Ruen Tai Shing Co., Ltd. (0.97%)、Ruentex Development Co., Ltd. (0.23%)、Ruentex Industries Ltd. (0.21%)、Yen Sin Corporation (0.16%)、Ruentex Leasing Co., Ltd. (0.12%)、Chi-Pin Investment Company (0.11%)、Pan City Co., Ltd.(0.09%)
Cathay Life Insurance Co.,Ltd.	Cathay Financial Holding Co., Ltd. (100%)

(3) Information on Directors and Supervisors

A. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors:

<div>Qualifications</div> <div>Name</div>	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chia-Tsung Hung	Mr. Hung has knowledge of the industry, practical experience, both leadership and academic abilities, accounting and financial analysis ability, international market perspective, marketing and operating planning of technological-related industry, practical abilities of decision-making management and crisis management; served as Chief Financial Officer, Senior Vice President of UMC, chairman of ITE Tech. Inc., and director of EPISTAR Corp. In 2004, Institutional Investor Magazine recognized Mr. Hung as the semiconductor sector's best CFO in their Asia Equities Market Report; and awarded an Honorary Doctorate from National Tsing Hua University in 2021. Currently serves as Chairman and Chief Strategy at UMC, and is not under any circumstances listed in Article 30 of the Company Act.		NA
Kuo-Yung Wang	Mr. Wang has knowledge of the industry, practical experience, both leadership and academic abilities, and ability to make judgments about operations, marketing, international market perspective, operation management, and practical ability in crisis management. He devoted himself in technology and semi-conductor industry for more than 30 years, and is fully qualified in IC design and service, semiconductor intellectual property core, foundry, e-supply chain fields. He also has abundant experience in marketing, sales, and strategy planning. Mr. Wang was the Chief Strategy at Faraday Technology, Marketing Deputy Director at TSMC, Manager at ITRI Institute of Communications Engineering, and Deputy General Manager in charge of marketing, Asia-Pacific sales and support in semiconductor intellectual property core development and design at UMC. He led the sales team creating NTD60 billion sales performance and continuous growth, and is not under any circumstances listed in Article 30 of the Company Act.		NA

Ying-Sheng Shen	Mr. Shen has knowledge of the industry, practical experience, both decision-making and academic abilities, ability to make judgments about operations, marketing, operation management, and practical ability in crisis management. He was the Assisting Manager at UMC and became the Deputy General Manager in charge of market development and sales since 2015, and is not under any circumstances listed in Article 30 of the Company Act.		NA
Zhen-Li Huang	Mr. Huang has knowledge in business, finance and accounting, international market perspective, both crisis management and academic abilities, and has passed a national examination and been awarded a certificate in a profession necessary of certified public accountant. He was a public accountant at Cheng-Chi Accounting Firm, supervisor at WIN Semiconductor, and independent director at UMC, and was an Accounting professor at Tamkang University with more than 30 years of teaching experience. He is not under any circumstances listed in Article 30 of the Company Act.		NA
Shih-Chin Lin	Mr. Lin has knowledge of the industry, practical experience, both decision-making and academic abilities, ability to make judgments about operations, operation management, and practical ability in crisis management. He serves in the semi-conductor industry for more than 20 years and is familiar with the design process of integrated circuit. He also has abundant experience in IC design service and embedded RAM design. He was the IP Senior Director at UMC, Design Director at PSMC, and Design Manager at TSMC-Acer Semiconductor Corp., and is not under any circumstances listed in Article 30 of the Company Act.		NA
Wen-Ju Tseng	Ms. Tseng has knowledge of the industry, practical experience, both decision-making and academic abilities, accounting and financial analysis ability, international market perspective operation management, and practical ability in crisis management. She worked in related positions of Accounting and Finance in UMC, Finance Minister of Faraday Technology from 2000 to 2015, and has been the Chief Financial Officer and Spokesperson since 2015. Ms. Tseng is in charge of multiple businesses in managing cross-country finance, accounting, and tax planning, and is not under any circumstances listed in Article 30 of the Company Act.		NA
Ning-Hai Jin	Mr. Jin has knowledge of the industry, international market perspective, both operating management and academic abilities, business and technology industrial management and corporate governance. He was the General Manager of Aurora Holdings Incorporated and Legal representative of Taiwan Life Insurance Co., Ltd. He is currently the Chairman of Lan-Hai Electro-optical Inc. and Starlevel Media Services Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.	They are independent directors and meet the independence criteria, including but not limited to the themselves, their spouse, relative within the second degree of kinship who are not director, supervisor, or	NA

Bing-Kuan Luo	Mr. Luo has knowledge of the industry, international market perspective, both operating management and academic abilities, abilities in legal, finance, crisis management, and corporate governance. He was the consultant at the Ministry of Economic Affairs and Eastern Taiwan Joint Services Center, Executive Yuan, Vice President and Chairman of Taiwan of HKiNED, and Chief Investment Officer of Kai-Da International Strategy Counseling Corp and China Certified M&A Dealmaker . He is currently the Chairman of Hua-Shuan International Counselling Corp. and TIDA Taiwan, and is not under any circumstances listed in Article 30 of the Company Act.	employee of the Company or its affiliates; do not hold company shares; are not director, supervisor, or employee of an enterprise related to the Company; do not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	1
Wan-Fen Zhou	Ms. Zhou has knowledge of the industry, practical experience, both decision-making and academic abilities, accounting and financial analysis ability, operation management, and practical ability in crisis management. She was the Chief Financial Officer of Dawning Leading Technology Inc., Deputy Manager at UMC, supervisor at Jai-Yon Investment Corp. Ms. Chou is currently the Finance Senior Director at King Yuan Electronics Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.		NA

B. Diversity and Independence of the Board of Directors:

(a) Board Diversity

A diversification policy was formulated in the Company’s “Corporate Governance Best Practice Principles” and “Procedures for Election of Directors”, which clearly stipulated the members of the Company’s Board of Directors should be diversified. The composition of the board of directors shall be determined by taking diversity into consideration and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following three general standards:

1. Basic requirements and values: Gender, age, nationality, and culture; it is advisable that the number of female directors account for at least one-third of all the directors.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
3. Sustainability and Social involvement: corporate governance, environmental sustainability, corporate social responsibility, legal compliance and human rights protection.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Currently, there are 9 directors including 3 independent directors, 2 female directors, and 4 directors who are employees of the Company (the percentage of all directors are 33.3%, 22.2%, and 44.4% respectively). The Company has set a goal for female directors to reach 25%. As of the end of 2021, 5 directors were aged 50-59, 2 were aged 60-69, and 2 were aged above 70. The independent directors had all met the regulation of independence set by the Securities and Futures Bureau and none of them is under any circumstances listed in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. Directors shall have neither a spousal relationship nor a relationship within the second degree of kinship with any other director. For information regarding directors' education and experience, gender, professional qualification, work experience, and diversification, please refer to III. Corporate Governance Report 2.(1) Information of Directors(Page12 to15).

The professional background of the members of the board of directors of the company covers management, science and technology, and finance, and they are managers of the technology industry. The members of the board of directors have diverse backgrounds in industry, education, academics, and knowledge, and can give professional advice from different perspectives, which is helpful for improving the company's operating performance and management efficiency. The implementation of the diversity of board members is as follows:

Title	Chairman	Juristic-Person Director		Director			Independent Director		
Name	Chia-Tsung Hung	Ying-Sheng Shen	Zhen-Li Huang	Kuo-Yung Wang	Shih-Chin Lin	Wen-Ju Tseng	Ning-Hai Jin	Bing-Kuan Luo	Wan-Fen Zhou
Gender	M	M	M	M	M	F	M	M	F
Age	60~69	50~59	70~79	50~59	50~59	50~59	70~79	60~69	50~59
Employee	√			√	√	√			
under 3 years							√	√	√
Background									
Technology	√	√	√	√	√	√	√		√
Finance	√	√	√	√	√	√	√	√	√
Law								√	
Professional knowledge and skills									
Industry experience	√	√	√	√	√	√	√	√	√
Operationa	√	√	√	√	√	√	√	√	√
Management	√	√	√	√	√	√	√	√	√
Risk Management	√	√	√	√	√	√	√	√	√
international perspective	√	√	√	√	√	√	√	√	√
Leadership and Strategy Decision	√	√	√	√	√	√	√	√	√

(b) Board Independence

The nomination and selection of members of the board of directors of the company complies with the provisions of the "Articles of Incorporation", adopts the candidate nomination system, and abides by the "Corporate Governance Best Practice Principles" and "Procedures for Election of Directors". It is clearly stipulated that the selection of the company's directors should consider the overall configuration of the board of directors. The company has seven to eleven directors, and the number of directors is authorized by the board of directors to decide. The term of board of the directors is three years, and they shall be elected by the shareholders' meeting from persons with legal capacity. The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Company Act and Securities and Exchange Act, and other relevant laws and regulations. All members of the company's board of directors have the necessary knowledge, skills and accomplishments to perform their duties.

The composition of the company's current board of directors consists of 3 independent directors (33.33%), 6 non-independent directors (66.67%), of which 4 are employee directors (44.44%). None of the directors has any of the conditions listed in Article 30 of the Company Act; none of the directors has a relationship within the spouse or second-degree relatives, which complies with the provisions of Item 3 and Item 4 of Article 26-3 of the Securities and Exchange Act.

All independent directors of the company comply with the regulations on independent directors stipulated by FSC. The situation of independence is as follows:

Name	Whether the person, spouse, and relatives within the second degree are directors, supervisors, or employees of the company or its affiliated companies	The number and proportion of the company's shares held by myself, my spouse, and relatives within the second degree (or uses the name of others)	Whether to serve as a director, supervisor or employee of a company with a specific relationship with the company	The amount of remuneration obtained for providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years
Ning-Hai Jin	No	None	No	None
Bing-Kuan Luo	No	None	No	None
Wan-Fen Zhou	No	None	No	None

(4) Information of the Chief Strategy Officer, President, VPs, SAVPs and Managers of Departments and Branches

March 26, 2023

Unit: share

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Chief & Strategy Officer	ROC	Chia-Tsung Hung	Male	March 2, 2018	—	—	—	—	—	—	Chairman, United Microelectronics Corporation Bachelor of Accounting, Tamkang University Honorary Doctorate of National Tsing Hua University	Chairman & Chief Strategic Officer, United Microelectronics Corporation Chairman, Hong Cheng Venture Capital Chairman, Hong Ding Venture Capital Director, Triknight Capital Corporation. Executive Director, United Semiconductor (Shandong) Chairman, UMC Capital Corp. Director, United Microelectronics (Europe) B.V.	—	—	—	—	—
President	ROC	Kuo-Yung Wang	Male	Jul 28, 2015	371,990	0.15%	150,600	0.06%	—	—	President ,Faraday Technology Corporation Vice President, United Microelectronics Corporation Master of Industrial Engineering and Engineering Management, National Tsing Hua University	Chairman, Chi Hong Investment Chairman, Sheng Bang Investment Chairman, Artery Technology Company Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman ,United Business Service Corporation (Chongqing) Chairman, Artery Technology Corporation-Cayman	—	—	—	—	—
COO	ROC	Shih-Chin Lin	Male	Jul 30, 2015	160,000	0.06%	—	—	—	—	COO ,Faraday Technology Corporation Senior Director, United Microelectronics Corporation Master of Industrial Master of Electrophysics, National Chiao Tung University	Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology China Corporation Chairman, Faraday Technology Japan Corp. Chairman, FaradayTek Solutions India Private Limited Director, Faraday Technology Corporation (Suzhou) Director, United Business Service Corporation (Chongqing)	—	—	—	—	—

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Senior VP	ROC	Chien-Ming Chen	Male	Jun 17, 2019	36,300	0.01%	—	—	—	—	VP, Faraday Technology Corporation PhD of Computer Science, National Tsing Hua University	Director, Faraday Technology China Corporation	—	—	—	—	Note 1
VP	ROC	Jyh-Herng Wang	Male	Jun 8, 2018	140,000	0.06%	3,195	0.001%	—	—	SAVP, Faraday Technology Corporation PhD of Electrical Engineering, National Taiwan University	None	—	—	—	—	—
CFO & VP	ROC	Wen-Ju Tseng	Female	Sep 1, 2017	62,915	0.03%	—	—	—	—	CFO, Faraday Technology Corporation Bachelor of Business Administration, National Chengchi University Master of College of Management, National Yang Ming Chiao Tung University	Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology (Samoa) Corp. Chairman, Bright Capital Group Limited (BCGL) Chairman, Faraday Technology Corp.(B.V.I.) Director, Artery Technology Corporation Director, Artery Technology Corporation, Ltd. (Chongqing) Director , Artery Technology Company Director, ShiehYung Investment Corporation Supervisor, Faraday Technology China Corporation Supervisor, Faraday Technology Corporation (Suzhou) Supervisor, United Business Service Corporation (Chongqing) Supervisor, Innopower Technology Corporation (Chongqing) Supervisor, United Creative Solution Corporation (Shanghai) Supervisor, Grain Media Inc. Supervisor, Faraday Technology Japan Corp.	—	—	—	—	—
SAVP	ROC	Chih-Shiun Lu	Male	Sep 1, 2017	173,000	0.07%	—	—	—	—	SAVP, Faraday Technology Corporation Master of Electrical Engineering, National Taiwan University	None	—	—	—	—	Note 2

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
SAVP	ROC	Rong-Shing Lai	Male	Jun 8, 2018	156,000	0.06%	—	—	—	—	SAVP, Faraday Technology Corporation Marketing Manager, Silicon Integrated Systems Master of Electrical Engineering, National Cheng Kung University	Chairman, Grain Media Inc. Chairman, GrainTech Electronics Limited Director, Sanjet Co., Ltd.	—	—	—	—	Note 3
SAVP	ROC	Cheng-Hsing Chien	Male	Jun 17, 2019	40,000	0.02%	—	—	—	—	SAVP, Faraday Technology Corporation Master of Electrical Engineering, National Taiwan University	Chairman ,Faraday Technology Vietnam Company Limited.	—	—	—	—	—
SAVP	ROC	Kuo-Hua Lee	Male	Dec 3, 2019	70,000	0.03%	—	—	—	—	SAVP, Faraday Technology Corporation Master of Physics, Tamkang University	Chairman, Faraday Technology Corporation. (USA)	—	—	—	—	Note 4
SAVP	ROC	Shu-Huei Liao	Female	Sep 1, 2021	28,000	0.01%	—	—	—	—	Director,Faraday Technology Corporation Master of Industrial Engineering and Engineering Management, National Tsing Hua University	None	—	—	—	—	—
SAVP	ROC	Ying-Cih Yen	Male	March 23,2023	—	—	—	—	—	—	Deputy Director of Client Projects, Taiwan Semiconductor Manufacturing Co., Ltd. Master of Institute of Electronics, National Yang Ming Chiao Tung University	None	—	—	—	—	—

Note 1: Senior VP, Chien-Ming Chen , was dismissed on December 22, 2022.

Note 2: SAVP, Chih-Shiun Lu, resigned on February 3, 2023.

Note 3: SAVP, Rong-Shing Lai, was dismissed on December 22, 2022.

Note 4: SAVP, Kuo-Hua Lee, was dismissed on July 30, 2022.

(5) Remuneration of Directors, Strategy Officer, Presidents, COO, and VPs

General Remuneration of Directors and Independent Directors

December 31, 2022
Unit: NT\$1,000/1,000 shares

Title	Name	Director remuneration								Sum of A+B+C+D and ratio to Net Income(%)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A+B+C+D+E+F+G and ratio to Net Income (%)		Remuner ation from ventures other than subsidiari es or from the parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C) (note 1)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		Faraday	All companies in the consolidated financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companie s in the consolidat ed financial statements	Faraday		Companies in the consolidated financial statements		Faraday	Companies in the consolidated financial statements	
Chairman	Chia-Tsung Hung	4,320	4,320	—	—	5,572	5,572	900	900	10,792 (0.44%)	10,792 (0.44%)	54,339	54,339	—	—	20,715	—	20,715	—	85,846 (3.50%)	85,846 (3.50%)	None.
Entity represented by Chairman	United Microelectronics Corporation																					
Juristic-Person Director	United Microelectronics Corporation																					
Representative of Juristic- Person Director	United Microelectronics Corporation Representative: Ying-Sheng Shen																					
Juristic-Person Director	Unimicron Technology Corp.																					
Representative of Juristic- Person Director	Unimicron Technology Corp. Representative: Zhen-Li Huang																					
Director	Kuo-Yung Wang																					
Director	Shih-Chin Lin																					
Director	Wen-Ju Tseng																					
Independent Director	Ning-Hai Jin	2,880	2,880	—	—	761	761	450	450	4,091 (0.17%)	4,091 (0.17%)	—	—	—	—	—	—	—	—	4,091 (0.17%)	4,091 (0.17%)	None
Independent Director	Bing-Kuan Luo																					
Independent Director	Wan-Fen Zhou																					

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid : Note
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises):None

Note : Remuneration policies, procedures, standards, and structure, and its linkage to responsibilities, risks, and time spent:

1. Remuneration policies, procedures, standards, and structure

- (1) The salary of the Company's directors is in accordance with Article 16 of the Articles of Incorporation, that the Board of Directors is authorized to determine the salary for directors, and the extent and value of the services provided for the management of the Company and the standards of the industry. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors as stipulated in Article 27 of the Articles of Incorporation. Independent directors are not included in the remuneration of directors. The Company evaluates the remuneration of the Board in accordance with the "Board Performance Evaluation Measures" regularly. Performance and salary rationality are reviewed by the Audit Committee and the Board of Directors.
- (2) Various allowances and bonuses are established in accordance with the salary regulations as managers' remuneration in order to show solicitude and encouragement for employees' hard work. Bonus is distributed based on the Company's annual performance, financial status, operation status, and personal work performance. In case of profit generated for the year, it shall set aside no less than 10% for remuneration of employees as stipulated in Article 27 of the Articles of Incorporation.
- (3) The Company's remuneration packages are in accordance with the Remuneration Committee Charter. The scope is consistent with the remuneration paid to directors and managers listed in the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

2. The Linkage with remuneration amount

- (1) The review on the distribution standard and system of the Company's remuneration policy is mainly based on the overall operation status. The distribution standard is determined by performance achievement rate and contribution in order to improve the overall organizational performance of the Board of Directors and the management team. In addition, general pay levels in the industry are regularly referred to, while reflecting to the performance of individual and the team.
- (2) Any important decision of the management is made after evaluating relevant risk factors. The performance of the decision is reflected on company profit; therefore, the performance of risk control is relevant with the management's remuneration.
- (3) The directors' and managers' performance and salary rationality are evaluated and reviewed by the Audit Committee and the Board of Directors regularly. In addition to performance achievement rate and contribution, it also refers to the overall operating performance, future risk and development trend of the industry, and operating status and relevant regulations to timely review the remuneration system. Reasonable remuneration is distributed after considering current company governance trend in order to strike a balance between sustainable operation and risk control. The actual distribution amount of the directors and managers' remuneration in 2022 is reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

Remuneration Tiers

Range of Remuneration (NT\$)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements
Lower than 1,000,000	Chia-Tsung Hung, Ying-Sheng Shen, Zhen-Li Huang	Chia-Tsung Hung, Ying-Sheng Shen, Zhen-Li Huang	Ying-Sheng Shen, Zhen-Li Huang	Ying-Sheng Shen, Zhen-Li Huang
1,000,000 (inclusive) ~2,000,000 (not inclusive)	Unimicron Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng, Ning-Hai Jin, Bing-Kuan Luo Wan-Fen Zhou	Unimicron Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng, Ning-Hai Jin, Bing-Kuan Luo Wan-Fen Zhou	Unimicron Ning-Hai Jin, Bing-Kuan Luo Wan-Fen Zhou	Unimicron Ning-Hai Jin, Bing-Kuan Luo Wan-Fen Zhou
2,000,000 (inclusive) ~3,500,000 (not inclusive)	UMC	UMC	UMC	UMC
3,500,000 (inclusive) ~5,000,000 (not inclusive)	—	—	—	—
5,000,000 (inclusive) ~10,000,000 (not inclusive)	—	—	—	—
10,000,000 (inclusive) ~15,000,000 (not inclusive)	—	—	Wen-Ju Tseng	Wen-Ju Tseng
15,000,000 (inclusive) ~30,000,000 (not inclusive)	—	—	Chia-Tsung Hung, Kuo-Yung Wang, Shih-Chin Lin	Chia-Tsung Hung, Kuo-Yung Wang, Shih-Chin Lin
30,000,000 (inclusive) ~50,000,000 (not inclusive)	—	—	—	—
50,000,000 (inclusive) ~100,000,000 (not inclusive)	—	—	—	—
More than 100,000,000	—	—	—	—
Total	11 people	11 people	11people	11 people

Note : The amount of Directors' remuneration approved by the Board of Directors in 2023.

Remuneration of Chief Strategy Officer, President, COO and VPs

December 31, 2022

Unit: NT\$1,000/1,000 shares

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Sum of A+B+C+D and ratio to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday		Companies in the consolidated financial statements		Faraday	Companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chief Strategy Officer	Chia-Tsung Hung	22,163	22,163	—	—	53,629	53,629	27,915	—	27,915	—	103,707 (4.23%)	103,707 (4.23%)	—
President	Kuo-Yung Wang													
Chief Operation Officer	Shih-Chin Lin													
Senior VP	Chien-Ming Chen (Note 1)													
VP	Jyh-Herng Wang													
VP	Wen-Ju Tseng (Note 2)													

Note 1: Senior VP, Chien-Ming Chen, was dismissed on December 22, 2022.

Note 2: VP, Wen-Ju Tseng, was new-appointed on December 26, 2022.

Remuneration Tiers

Range of Remuneration (NT\$) (Note1)	Names of Chief Strategy Officer, President, COO and VPs	
	Faraday	Companies in the consolidated financial statements
Lower than 1,000,000	—	—
1,000,000 (inclusive) ~2,000,000 (not inclusive)	—	—
2,000,000 (inclusive) ~3,500,000 (not inclusive)	—	—
3,500,000 (inclusive) ~5,000,000 (not inclusive)	—	—
5,000,000 (inclusive) ~10,000,000 (not inclusive)	—	—
10,000,000 (inclusive) ~15,000,000 (not inclusive)	Chien-Ming Chen(Note 2), Jyh-Herng Wang, Wen-Ju Tseng(Note 3)	Chien-Ming Chen(Note 2), Jyh-Herng Wang, Wen-Ju Tseng(Note 3)
15,000,000 (inclusive) ~30,000,000 (not inclusive)	Chia-Tsung Hung, Kuo-Yung Wang, Shih-Chin Lin	Chia-Tsung Hung, Kuo-Yung Wang, Shih-Chin Lin
30,000,000 (inclusive) ~50,000,000 (not inclusive)	—	—
50,000,000 (inclusive) ~100,000,000 (not inclusive)	—	—
More than 100,000,000	—	—
Total	6 people	6 people

Note 1: The amount of employees' remuneration approved by the Board of Directors in 2023.

Note 2: Senior VP, Chien-Ming Chen, was dismissed on December 22, 2022.

Note 3: VP, Wen-Ju Tseng, was new-appointed on December 26, 2022.

Names of Managers Receiving Employee Remuneration and Amounts Distributed

December 31, 2022

Unit: NT\$1,000/1,000 shares

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash (Note 1)	Total	Ratio of Total Amount to Net Income After Tax (%)
Manager	Chief Strategy Officer	Chia-Tsung Hung	—	38,580	38,580	1.57%
	President	Kuo-Yung Wang				
	Chief Operation Officer	Shih-Chin Lin				
	Senior VP	Chien-Ming Chen (Note 2)				
	VP	Jyh-Herng Wang				
	VP & Chief Financial Officer	Wen-Ju Tseng (Note 3)				
	SAVP	Chih-Shiun Lu (Note 4)				
	SAVP	Rong-Shing Lai (Note 5)				
	SAVP	Cheng-Hsing Chien				
	SAVP	Kuo-Hua Lee (Note 6)				
	SAVP	Shu-Huei Liao				

Note 1: The amount of employees' remuneration approved by the Board of Directors in 2023.

Note 2: Senior VP, Chien-Ming Chen, was dismissed on December 22, 2022.

Note 3: VP, Wen-Ju Tseng, was new-appointed on December 26, 2022.

Note 4: SAVP, Chih-Shiun Lu, resigned on February 3, 2023.

Note 5: SAVP, Rong-Shing Lai, was dismissed on December 22, 2022.

Note 6: SAVP, Kuo-Hua Lee, was dismissed on July 30, 2022.

(6) Analysis of Remuneration of Directors, Chief Strategy Officer, President, and VPs in the last two years

Analysis of Remuneration of Directors, Chief Strategy Officer, President, and VPs in the last two years

Unit: NT\$1,000

Item Title	Faraday				All Companies in the Financial Statements			
	2022		2021		2022		2021	
	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax
Directors(include Independent Directors)	89,937	3.66%	50,203	4.34%	89,937	3.66%	50,203	4.34%
President, Chief Strategy Officer, Chief Operation Officer and VPs	103,707	4.23%	56,675	4.90%	103,707	4.23%	56,675	4.90%

Note: The increase in total remuneration of Directors in 2022 compared to 2021 is due to the increase in net profit after tax in 2022.

The increase in total remuneration of President ,CSO ,COO and VPs in 2022 compared to 2021 is due to the increase in bonus payments in 2022.

Remuneration Payment Policy

Remuneration policies, procedures, standards, and structure, and its linkage to responsibilities, risks, and time spent:

1. Remuneration policies, procedures, standards, and structure

- (1) The salary of the Company's directors is in accordance with Article 16 of the Articles of Incorporation, that the Board of Directors is authorized to determine the salary for directors, and the extent and value of the services provided for the management of the Company and the standards of the industry. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors as stipulated in Article 27 of the Articles of Incorporation. Independent directors are not included in the remuneration of directors. The Company evaluates the remuneration of the Board in accordance with the "Board Performance Evaluation Measures" regularly. Performance and salary rationality are reviewed by the Audit Committee and the Board of Directors.
- (2) Various allowances and bonuses are established in accordance with the salary regulations as managers' remuneration in order to show solicitude and encouragement for employees' hard work. Bonus is distributed based on Faraday's annual performance, financial status, operation status, and personal work performance. In case of profit generated for the year, it shall set aside no less than 10% for remuneration of employees as stipulated in Article 27 of the Articles of Incorporation.
- (3) Faraday's remuneration packages are in accordance with the Remuneration Committee Charter. The scope is consistent with the remuneration paid to directors and managers listed in the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

2. Procedure for setting remuneration

- (1) The evaluation result of the “Faraday's Board Performance Evaluation Measures” and “Performance Evaluation Measures” that is applicable to the managers and employees are the basis to regularly evaluate the salary and remuneration of the directors and managers. Performance assessments and compensation levels of directors and managers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and this Corporation's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of Faraday.
- (2) 2022 was a bumper year for Faraday, not only did its consolidated revenue break through NT\$10 billion, but its Intellectual Property (IP), Non-Recurring Engineering (NRE) and mass production revenue all hit new highs; among them, the mass production business revenue has grown for four consecutive years, playing a key role in operating growth. With the diligent efforts of all global employees, Faraday has marked a new milestone in 2022, and both consolidated revenue and profit reach the highest in history. In 2022, the consolidated revenue reached NT\$13.07 billion, an increase of 62% compared to the previous year; the basic earnings per share increased by 112% annually to NT\$9.88. Profit performance in 2022 has been higher than expected. According to the performance evaluation results in 2022, the performance of all managers has reached the predetermined target requirements, and the evaluation results of the company's annual operating revenue have also reached the goal. In addition, the performance evaluation results of the board of directors, director members and functional committees also exceed the standard.

3. The Linkage with remuneration amount

- (1) The review on the distribution standard and system of the Company's remuneration policy is mainly based on the overall operation status. The distribution standard is determined by performance achievement rate and contribution in order to improve the overall organizational performance of the Board of Directors and the management team. In addition, general pay levels in the industry are regularly referred to, while reflecting to the performance of individual and the team.
- (2) Any important decision of the management is made after evaluating relevant risk factors. The performance of the decision is reflected on company profit; therefore, the performance of risk control is relevant with the management's remuneration.
- (3) The directors' and managers' performance and salary rationality are evaluated and reviewed by the Audit Committee and the Board of Directors regularly. In addition to performance achievement rate and contribution, it also refers to the overall operating performance, future risk and development trend of the industry, and operating status and relevant regulations to timely review the remuneration system. Reasonable remuneration is distributed after considering current company governance trend in order to strike a balance between sustainable operation and risk control. The actual distribution amount of the directors and managers' remuneration in 2022 is reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

3. Corporate Governance Implementation Status

(I) Operation of the Board of Directors:

The Board of Directors convened 5 (A) meetings in 2022. The Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	UMC Representative: Chia-Tsung Hung	5	0	100%	
Juristic-Person Director	UMC Representative: Ying-Sheng Shen	5	0	100%	
Juristic-Person Director	Unimicron Representative: Zhen-Li Huang	5	0	100%	
Director	Kuo-Yung Wang	5	0	100%	
Director	Shih-Chin Lin	5	0	100%	
Director	Wen-Ju Tseng	5	0	100%	
Independent Director	Ning-Hai Jin	5	0	100%	
Independent Director	Bing-Kuan Luo	5	0	100%	
Independent Director	Wan-Fen Zhou	5	0	100%	

Annotations:

- In case the operation of the board of directors has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the opinions of all independent directors and Faraday's disposal of the opinions of independent directors:

●: Attendance in person ★: By Proxy ▲: Absent

Independent Director	1 st	2 nd	3 rd	4 th	5 th
Ning-Hai Jin	●	●	●	●	●
Bing-Kuan Luo	●	●	●	●	●
Wan-Fen Zhou	●	●	●	●	●

- Matters listed in Article 14.3 of the Securities Exchange Act: Faraday has established the audit committee, so it is not applicable to Article 14-3 of the Securities and Exchange Act. For relevant information, please refer to Corporate Governance Report III (2) Operation of the Audit Committee. (Page36~38)
 - Other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion, in addition to the matters above: None.
- On the implementation of directors' avoidance of interests, state the names of the directors, the contents of the motions, the reasons for the avoidance of interests and the participation in the voting:

Director name	Motion content	Reason for avoidance	Participation in voting	Remarks
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Proposal for the salary and remuneration of the Managerial Officers.	The Directors have a stake in the motion.	Not voting	5 th session of 11 ^h term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Proposal for the salary and remuneration of the Managerial Officers.	The Directors have a stake in the motion.	Not voting	10 th session of 11 th term
Kuo-Yung Wang Wen-Ju Tseng Wan-Fen Zhou	Proposal of Release the new Prohibition on Directors from Participation in Competitive Business.	The Directors have a stake in the motion.	Not voting	10 th session of 11 th term

3. Information about Board of Directors' performance evaluation implementation (i.e. the evaluation cycle and period, the evaluation scope, the evaluation method and evaluation aspects):

(1) Implementation of Board of Directors' performance evaluation

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspects
Every year	January 1 st to December 31 st , 2022	Including the performance evaluation of the Board of Directors, Functional Committees, and individual Directors	Self-evaluation of the Board, Functional Committees, and Board members	<p>1. The measurement items for the self-evaluation of the Board of Directors include the following aspects:</p> <p>(1) Participation in Faraday's operations.</p> <p>(2) Improve the decision-making quality of Board.</p> <p>(3) Board composition and structure.</p> <p>(4) Election and continuing education of Directors.</p> <p>(5) Internal control.</p> <p>2. The measurement items for the self-evaluation of Board members include the following aspects:</p> <p>(1) Mastery of company goals and tasks.</p> <p>(2) Awareness of Directors' responsibilities.</p> <p>(3) Participation in Faraday's operations.</p> <p>(4) Management and communication of internal relationship.</p> <p>(5) Professional and continuing education of Directors.</p> <p>(6) Internal control.</p> <p>3. Functional Committee self-evaluation measurement items, include the following aspects:</p> <p>(1) Participation in Faraday's operations.</p> <p>(2) Recognition of the responsibilities of Functional Committees.</p> <p>(3) Improve the decision-making quality of Functional Committees.</p> <p>(4) Functional Committee composition and member selection.</p> <p>(5) Internal control.</p>
Once every three years	November 1 st , 2021 to October 31 st , 2022	The performance evaluation of the Board of Directors	Conducted by an external independent professional institution	<p>(1).Board Composition and Professional Development.</p> <p>(2)The quality of decision-making by the board of directors</p> <p>(3)Operational effectiveness of the board of directors</p> <p>(4)Internal Control and Risk Management</p> <p>(5)Degree of board participation in corporate social responsibility</p>

(2) Results of External Performance Evaluation of the Board of Directors

(1) The external evaluation institution and the evaluation method, standards

On October 12, 2022, Faraday entrusted TIRI, an external independent evaluation institution to evaluate the external performance evaluation of Faraday's the Board of Directors. The evaluation period is from November 1, 2021 to October 31, 2022, according to the documents and public information provided by the company and combined with self-evaluation questionnaires (covering the five aspects of board composition and professional development, board decision-making quality, board operation effectiveness, internal control and risk management, and board participation in corporate social responsibility) and on-site visits

and evaluations, and based on the evaluation results, a board performance evaluation report will be issued on November 21, 2022.

(2) The statement of independence by the external evaluation institution

The executive committee is responsible for evaluating the performance of the board of directors of Faraday Technology Co., Ltd. (hereinafter referred to as the evaluated company), and upholds a fair and objective attitude and has no influence on independence. Hereby declare as follows:

- I . The executive committee members and their spouses and dependent relatives do not have the following circumstances:
 - i. Has direct or indirect material financial interests with the rated company.
 - ii. Has a commercial relationship with the rated company or its directors and supervisors that can affect independence.
 - iii. Gifts or gifts of significant value from the rated company or its directors, supervisors, managers, or major shareholders (the value of which does not exceed the general social etiquette standard).
- II . The executive committee members and the directors, supervisors, or managers of the rated companies have no relationship of spouse, lineal blood relatives, lineal relatives by marriage, or collateral blood relatives within the second degree.
- III . The executive members and their spouses and dependent relatives have not served as directors, supervisors, managers, or positions that have a direct and significant impact on the evaluation.

Executive Committee: Zong-Lin Guo

Executive Committee: Shih-Syong Jian

Executive Committee: Huei-Yi Jheng

(3) Conclusion and suggestion

The evaluation report concluded that it is recommended (i) To set up a functional committee of the "Sustainable Development Committee". (ii) Among the directors of Faraday, the number of employees who are employees of the company, parent company, subsidiary company or brother company, less than (including) one-third of the number of directors. (iii) Increase the independent functions of internal audit personnel to enhance the visibility of external investors on the company's commitment to sustainable development, enhance the direct participation of directors, and increase the strength of the company to promote and implement ESG.

4. Goals and status of strengthening the function and performances of the Board of Directors in current years:

- (1) Strengthen the functions of the Board: Faraday is devoted to strengthen the Board of Directors mechanism and has established an Audit Committee on June 9, 2015. In accordance with the regulations, the Audit Committee shall hold a meeting every quarter, and at any time when necessary. The main purpose of the Audit Committee is to assist the Board of Directors in decision making and to strengthen the supervising function of the Board of Directors. The meeting attendance of the Board of Directors in 2022 was good, and the Board of Directors operation is fully participated. Motions that have stakes with directors are reviewed by the Audit Committee or the Remuneration Committee before submit for the Board of Directors' resolution. According to Faraday's "Board Performance Evaluation Measures", the board of directors shall conduct an internal board performance evaluation every year according to the evaluation procedures and the evaluation indexes .The Company's board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years.
- (2) Enhance information transparency: The major resolution of the Board of Directors and financial information are publicly announced on MOPS and disclosed on the Faraday's official website in accordance with the regulations. Investors and shareholders may obtain relevant information in a timely manner.
- (3) In 2022 and up to the publication of this annual report in 2023, the Board of Directors convened 6 meetings with at least two independent directors attend in person in every meeting.
- (4) The Board of Directors has been operating in accordance with the "Code of Procedures for Board Meetings". Meanwhile, continuing education is arranged for directors to maintain their core values and professional competence. For relevant information, please refer to the continuing education of Directors in 2022. (Page52~53)

(2) The operation of the Audit Committee or the Supervisor's participation in the operation of the Board Meeting:

A. Operation of the Audit Committee:

The Audit Committee conducted 3(A) meetings. The Independent Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Bing-Kuan Luo	4	0	100%	Convener
Independent Director	Ning-Hai Jin	4	0	100%	
Independent Director	Wan-Fen Zhou	4	0	100%	

Annotations:

1. In case the operation of the Audit Committee has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the Audit Committee's review results and Faraday's disposal of the opinions of the Audit Committee:

(1) Resolutions related to Article 14.5 of the Securities and Exchange Act : Listed in the table below.

(2) Other resolutions that was not approved by the Audit Committee but was approved by two thirds or more of all Directors: None.

Audit Committee Meeting Dates/Session	Resolution	Independent directors' objections, reservations or major proposals	Result	Faraday's disposal of member opinions
February 22, 2022 3 rd session of 3 rd term	1. Faraday's 2021 Business Report and Financial Statements. 2. Implementation of the audit plan and evaluation of the effectiveness of the Internal Control System in 2021. 3. Faraday regularly evaluates the independence and suitability of the CPAs and the appointment of the CPAs in 2022.	None	Approved by all Audit Committee Members.	Submit to the Board of Directors and approved by the directors who participated in the discussion and voting.
April 26, 2022 4 th session of 3 rd term	1. Faraday's 2022Q1 Financial Statements. 2. Amendment to the "Regulations Governing the Acquisition and Disposal of Assets". 3. Amendment to the "Guidelines for the Adoption of Codes of Ethical Conduct".			
July 26, 2022 5 th session of 3 rd term	Faraday's 2022Q2 Financial Statements.			
October 25, 2022 6 th session of 3 rd term	1. Faraday's 2022Q3 Financial Statements. 2. Statements. 3. 2023 Audit Plan.			

2. On the implementation of Independent Directors' avoidance of interests, state the names of the Independent Directors, the contents of the resolutions, the reasons for the avoidance of interests and the participation in the

voting: None.

3. Descriptions of the communications between the Independent Directors, the internal auditors, and the CPAs(which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(1) The communications between the Independent Directors and the internal auditors:

The internal audit supervisor regularly provides Audit Reports and future audit plans to the Audit Committee. Whenever the Audit Committee members need information about Faraday's financial and Operation status , Faraday arranges responsible personnel to attend the meeting and give a briefing.

Date	Communications Focus	Result
February 22,2022 The Audit Committee	2021 Internal Control System Statement.	Approved by the Audit Committee and submit to the Board of Directors.
	Report on the implementation of internal audit business in 2021Q4.	Noted
April 26,2022 The Audit Committee	Report on the implementation of internal audit business in 2022Q1.	Noted
July 26,2022 The Audit Committee	Report on the implementation of internal audit business in 2022Q2.	Noted
October 25,2022 The Audit Committee	Report on the implementation of internal audit business in 2022Q3.	Noted
	To set up 2023 Audit Plan.	Approved by the Audit Committee and submit to the Board of Directors.

(2)The communications between the Independent Directors and the CPAs:

The CPAs will report to the Audit Committee at least once a year about the audit results and the key audit items in the future. The Audit Committee members may also contact the CPAs at any time by phone or email. The communication channel between the Audit Committee and the CPAs functioned well.

Date	Communications Focus	Result
February 17, 2022 The Audit Committee pre-meeting.	1. In 2021, the consolidated and individual financial report audit results, key audit items and internal control audit report. 2. Communication with corporate governance units and management. 3. Updates to the Securities Regulatory Act. 4. Tax law update. 5. The latest development of accounting standards for enterprises. 6. The 9 th Corporate Governance Evaluation Index Revised Introduction.	2021 Financial Statements are approved by the Audit Committee and submitted to the Board of Directors.
April 21, 2022 The Audit Committee Pre-meeting	1. Review of 2022Q1 financial statements. 2. Communication with corporate governance units and management. 3. Updates to the Securities Regulatory Act.	2022Q1 Financial Statements are approved by the Audit Committee and submitted to the Board of Directors.
July 15, 2022 The Audit Committee pre-meeting.	1. Review of 2022Q2 financial statements. 2. Communication with corporate governance units and management. 3. Updates to the Securities Regulatory Act. 4. Tax law update.	2022Q2 Financial Statements are approved by the Audit Committee and submitted to the Board of Directors.

October 21, 2022 The Audit Committee pre-meeting.	<ol style="list-style-type: none"> 1. Review of 2022Q3 financial statements. 2. Communication with corporate governance units and management. 3. Updates to the Securities Regulatory Act. 	2022Q3 Financial Statements are approved by the Audit Committee and submitted to the Board of Directors.
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(3) Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
1. Has Faraday established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		Faraday has established Corporate Governance Best Practice Principles with reference to the “Taiwan Corporate Governance Implementation” which has been published on Faraday’s website and a “Corporate Governance” section has been set up for investors to inquire and download relevant regulations.	Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.
2. Shareholding Structure & Shareholders’ Right (1) Does Faraday have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		Faraday has established Rules of Procedure for Shareholders' Meetings. In order to ensure the rights and interests of shareholders, faraday has a spokesperson system and a contact window (ir@faraday-tech.com), and set up a shareholder area under investor relations on the Faraday’s official website to respond to shareholders' opinions and responses, and deal with shareholders' suggestions, doubts, disputes, etc. We also will response to the Board of Directors and the Audit Committee timely.	Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.
(2) Does Faraday know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		Faraday declares the changes in shareholding of insiders according to the regulations every month, and has a person to deal with matters related to stock affairs, and has close business relations with stock agency agencies to ensure the stability of management rights.	Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.
(3) Has Faraday built and executed a risk management system and “firewall” between Faraday and its affiliates?	V		The personnel, assets and financial management rights and responsibilities between affiliates are clearly divided, while risk assessment is firmly implemented and an appropriate firewall is established. The “Measures for Monitoring Subsidiaries” and the “Regulations on the Reciprocal Financial Business of Affiliates” have been established and firmly implemented.	Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
(4) Has Faraday established internal rules prohibiting insider trading of securities based on undisclosed information?	V		<p>Faraday has formulated the "Insider Transaction Prevention Regulations", "Procedures for Handling Material Inside Information" and "Ethical Corporate Management Best Practice Principles", which have been published on the Faraday's official website for investors to inquire about and download relevant company regulations; at the same time, and It is strictly forbidden for company insiders and employees to use unpublished information in the market to buy and sell securities, to protect investors and safeguard Faraday's rights and interests. Regular insider trading prevention publicity courses are held every year. In 2022, directors and colleagues will conduct insider trading prevention publicity courses with a total of 615 people/hours. The content of the insider trading prevention course includes: insider trading, actors, actual knowledge, major news, buying and selling targets, buying and selling time points, identification of major news clear time points, penalties, short-term trading, regulated objects, regulated periods, regulated targets, and calculation of ownership rights Way... etc. After the course is over, the briefing and audio-visual files will be placed in the internal employee system for reference by colleagues.</p> <p>Faraday also reminds directors and managers not to trade their stocks during the closed period 30 days before the announcement of the annual financial statements and 15 days before the quarterly financial statements in the annual course on the prohibition of insider trading; In December, notify directors and managers of the 2022 board meeting date, as well as the closed period before the quarterly financial</p>	Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			statements announcement, to prevent directors and managers from erroneously touching the norms.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	V		<p>The nomination and selection of members of the board of directors of Faraday follows the provisions of the "Articles of Association", adopts the nomination system for candidates, and abides by the "Code of Practice for Corporate Governance" and "Director Election Method". To formulate an appropriate diversity policy for its own operation, operation type and development needs, without restrictions on gender, race and nationality, in addition to possessing the knowledge, skills and qualities necessary to perform duties, in order to achieve the ideal goal of corporate governance, the board of directors as a whole should The abilities include 1. Operational judgment ability 2. Accounting and financial analysis ability 3. Operation and management ability 4. Crisis handling ability 5. Industry knowledge 6. International market outlook 7. Leadership ability 8. Decision-making ability and other diversified professional backgrounds. There are currently 9 directors of Faraday, including 3 independent directors, 2 female directors and 4 directors with employee status (accounting for 33.3%, 22.2% and 44.4% of all directors respectively). A target of 25% of directors. As of the end of 2022, there were 5 directors aged 50-59 years, 2 directors aged 60-69 years, and 2 directors aged over 70 years old. Among them, the independent directors are all in line with the regulations of SFB on independent directors. None of the items specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act, there is no relationship between the directors of a spouse or relative within the</p>	Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			second degree of kinship, and each director's educational experience, gender, professional qualifications, work experience and diversity For relevant information, please refer to the information of directors (Pages 12~15) and disclosure of information on directors' professional qualifications and independence of independent directors (Pages17~21).	
(2) Has Faraday voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	Faraday Technology has not yet set up functional committees other than the Compensation Committee and the Audit Committee to assist the Board in performing its duties.	An assessment will be made according to laws and regulations and company needs.

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
(3) Has Faraday established rules and methodology forevaluating the performance of its Board of Directors,implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		According to Faraday's "Rules for Performance Evaluation of Board of Directors", The Board of Directors shall conduct an internal board performance evaluation every year according to the evaluation procedures and the evaluation indexes. The board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years. Methods of evaluations include the internal evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods, in order to establish performance goals and enhance the operational efficiency of the board of directors. Internal and external board performance evaluations shall be completed before the end of the first quarter of the following year, and the evaluation results should be reported to the Board of Directors in the first quarter and disclosed on the company website. When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.	Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.

(4) Does Faraday regularly evaluate its external auditors’ independence?	V	<p>The audit committee and the board of directors of Faraday regularly evaluate the independence and suitability of CPAs every year. In addition to requiring CPAs to provide “Accountant independence statement and Audit Quality Indicators (AQIs), and refer to AQIs disclosure framework-5 Organizations, 13 indicators for evaluation. It is confirmed that the CPAs has no other financial interests or business relationship with the company except for visa and financial and taxation fees, and the accountant's family members do not violate the independence requirements. With reference to the AQIs index information, the CPAs' experience and training hours in the EQCR accountant audit are better than the average level of the industry. In addition, digital auditing has been continuously promoted in recent years to improve audit quality.</p> <p>The Audit Committee and the Board of Directors have approved the regular evaluation on the independence and competence of CPAs on February 22, 2022 and February 21, 2023 respectively, and have obtained the independence statement issued by CPAs.</p> <p>Evaluation on the independence and competence of CPAs is as follows:</p> <table><tr><th>Independence</th><th>Yes</th><th>No</th></tr><tr><td>Do the CPAs not act as either the directors or supervisors of the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Are the CPAs not shareholders of the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Do the CPAs not receive remuneration from the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Are the CPAs not having direct or significantly indirect financial interest</td><td>√</td><td></td></tr></table>	Independence	Yes	No	Do the CPAs not act as either the directors or supervisors of the Company or its affiliates?	√		Are the CPAs not shareholders of the Company or its affiliates?	√		Do the CPAs not receive remuneration from the Company or its affiliates?	√		Are the CPAs not having direct or significantly indirect financial interest	√		Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Independence	Yes	No																
Do the CPAs not act as either the directors or supervisors of the Company or its affiliates?	√																	
Are the CPAs not shareholders of the Company or its affiliates?	√																	
Do the CPAs not receive remuneration from the Company or its affiliates?	√																	
Are the CPAs not having direct or significantly indirect financial interest	√																	

Assessment Item	Implementation Status					Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description			
			with the Company or its affiliates?			
			Are the CPAs not the stakeholders of the Company or its affiliates?	√		
			There is a five-year rotation as of the last certification.	√		
			Have the CPAs complied with the regulations of independence listed in the Norm of Professional Ethics for Certified Public Accountant Bulletin No.10 and obtained the “independence statement” issued by the CPAs?	√		
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations,organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)	V		Faraday approved the resolution of the board of directors on February 13, 2020 to appoint the CFO as the head of corporate governance. she is experienced and has served as finance executives in public companies for more than three years. She also conducts professional training in accordance with laws and regulations. The main responsibilities of the corporate governance supervisor are to supervise the stock affairs unit of the Finance Department to handle matters relating to Annual Shareholders’ meeting, the Board of Directors, the Audit Committee and the salary and remuneration committee, make minutes of meetings and information disclosure, provide directors with necessary information for business execution, and assist directors in complying with laws and regulations, Assisting directors with appointment and continuing education, handling director changes or other matters stipulated in Articles of Incorporation or contract.			Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.
5. Has Faraday established channels for	V		Faraday has set up a designated area on website to establish			Conform to the the

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company Faraday's official website? Does Faraday appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?			transparent, effective, and instant multi-directional communication channels with all stakeholders to gain their trust and support, and immediately grasp their expectations, recommendation and requirements. Recommendations and requirements are used as references and basis for formulating Faraday's future corporate social responsibility and future operational development plans, to realize the value and positive impact of corporate social responsibility. The most recent communication with stakeholders was reported to the board of directors on July 26, 2022. Faraday's stakeholders include employees, shareholders and investors, customers, suppliers and contractors, and government agencies. Please refer to the stakeholder section of Faraday's website for the concerns of various stakeholders , Faraday's communication channels, response methods and frequencies. (http://www.faraday-tech.com/tw/content/CSR/StakeholdersEngament)	Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
6. Has Faraday appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		Faraday appointed HORIZON SECURITIES's Stock Affairs Agency Department as the professional stock affairs agency to handle the affairs of the shareholders' meeting.	Conform to the the Corporate Governance Best Practice Principles For TWSE/TPEX Listed Companies.
7. Information Disclosure (1) Has Faraday established a corporate Faraday's official website to disclose information regarding its financials, business, and corporate governance status?	V		Faraday has established a website (www.faraday-tech.com/tw/) to regularly disclose and update Faraday's financial status, corporate governance and important information about the Group. Other relevant information that should be announced may also be found on the MOPS.	Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
(2) Does Faraday use other information disclosure channels (e.g., maintaining an English-language Faraday's official website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		Faraday has set up an English Faraday's website and placed important information such as English financial reports on the official Faraday's website with dedicated personnel responsible for the collection and disclosure of company information. The Faraday's website information is available in simplified Chinese, Japanese and Korean as well. Faraday has set up a room for spokesperson system and investor relationship, and disclosed relevant documents and audio-visual files of the corporate briefing session on Faraday's website.	Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(3) Does Faraday publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V		Faraday publishes and declares the annual financial statements, the first, second, and third quarter financial statements and the monthly operating status as early as possible within the prescribed deadlines. Please refer to the disclosed content on the MOPS(https://mops.twse.com.tw/).	Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
8. . Has Faraday disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		1. Employees' rights and interests: Faraday pays great attention to the rights and interests of employees and has always been following the principle of humanized management to give employees full respect and care. All management rules and regulations are in line with or better than the Labor Standards Law, Gender Work Equality Law, Sexual Harassment Prevention Law, and other government regulations. Faraday provides a variety of internal communication mechanisms, such as quarterly labor-management meetings, company-wide colleague meetings, periodic management meetings with employees, etc., so that colleagues' opinions can be fully utilized, and relevant authorities and responsible units can quickly respond to	Conform to the the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			<p>colleagues' opinions to build an unobstructed communication culture and a lively and enlightened working atmosphere. Faraday also provides a diversified welfare system, complete leisure facilities, and health promotion activities that meet the needs of employees. In addition, the "Employee Welfare Committee" has been established to protect the rights and interests of employees, enhance employee welfare, and give employees a better working environment and development space. An employee family day is held annually to care for employees and their relatives. Relevant information about employee rights and employee care, please refer to the Labor-Management Relations in Chapter 5 of the Annual Report (Page121~124) and the "Friendly Workplace and "Salary and Benefits" sections on Faraday's official website. (https://www.faraday-tech.com/tw/content/CSR/FriendlyWorkplace https://www.faraday-tech.com/tw/content/Careers/EmployeeWelfare)</p> <p>2. Investor relations: Faraday has spokesperson, acting spokesperson, and stock agency "HORIZON SECURITIES" to provide shareholders and investors with consultation on company-related issues. Faraday also holds a Investor Conference for operation every quarter, and communicates with investors regularly. For related implementation, please refer to the "Investor " sections on Faraday's website. (https://www.faraday-tech.com/en/entry/InvestorRelations)</p> <p>3. Supplier relationship: Responsible for the development of</p>	

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			<p>a sustainable supply chain and establish long-term partnerships with suppliers in various directions such as quality capabilities, cost leadership capabilities, delivery and supply capabilities, service capabilities, and sustainability. For related implementation, please refer to the "Winning Glory with Our Partners" sections on Faraday's website. (https://www.faraday-tech.com/en/content/CSR/SustainableSupplyChain)</p> <p>4. The rights of stakeholders: Faraday has set up a section for "Stakeholders" on Faraday's website(https://www.faraday-tech.com/en/content/CSR/StakeholderEngagement), and has also set up an independent mailbox and dedicated line to establish transparent, effective, and instant multi-directional communication channels between stakeholders and Faraday and to protect the relevant rights of stakeholders.</p> <p>5. Training for Directors: Faraday irregularly provides information on relevant laws and regulations and professional knowledge courses that directors need to pay attention to. All directors of Faraday have completed at least 6 hours of training courses every year in accordance with laws and regulations in 2022. For related information, please refer to Directors' Training in 2022 (Page52~53) or the "Corporate Governance" section of Faraday's website. (https://www.faraday-tech.com/en/content/CSR/CorporationGovernance).</p> <p>6. Implementation of risk management policies: The risk management policies have been approved by the Board of Directors on April 23, 2020 and reported to the Board of</p>	

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			<p>Directors on July 26, 2022 for implementation of risk management and disclosure of climate change-related risks and opportunities. The policies, organizational structure and implementation has been disclosed on Faraday's website. (https://www.faraday-tech.com/en/content/CSR/RiskManagement)</p> <p>7. Implementation of Customer Policy: Improve customer service and quality, improve service quality and customer satisfaction, and safeguard customer rights and related business secrets.</p> <p>8. Directors' Liability Insurance: Faraday purchases directors' and supervisors' liability insurance every year. The latest important content such as the insurance amount, insurance coverage and insurance premium rate has been reported to the board of directors on February 21, 2023 and relevant information has been announced on the MOPS.</p>	
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If Faraday was not included among the companies evaluated for the given recent year, this item does not need to be completed.)</p> <p>The improvement status for the result of 2021 corporate governance evaluation, which include:</p> <p>(1) Faraday's "Rules for Performance Evaluation of Board of Directors" has clearly stipulated that an external evaluation should be conducted at least once every three years, and external board performance evaluations shall be completed before the end of the first quarter of the following year. The evaluation results should be reported to the board of directors in the first quarter of the next year and disclosed on the Faraday's website.</p> <p>(2) Faraday's annual report has disclosed a specific dividend policy.</p> <p>(3) Faraday's annual report has disclosed the link between performance evaluation and remuneration of directors and managers.</p> <p>(4) Faraday awarded "Top 100 Excellence in Corporate Sustainable Citizenship Award in 2022", "2022 Excellent Management Quality Award" "2022 National Talent Development Award", "Top 100 Leadership of Taiwanese Enterprise in 2022", "Taiwan Corporate Governance 100</p>				

Assessment Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
Index”, “Taiwan Medium-sized Enterprise 100 Index” and “Taiwan High Compensation 100 Index”. Faraday’s priority enhancement measures in 2022 includes: (1) Faraday will introduce ISO27001 and obtain third-party verification to strengthen information security. (2) Faraday will introduce TIPS and obtain third-party verification to strengthen the operation and effectiveness of the intellectual property management system. (3) Faraday's corporate sustainability report will disclose ESG information with reference to SASB standards to promote sustainable development. (4) Faraday continues to pour resources into cultural and artistic activities and cultural and creative industries to promote cultural development. (5) Faraday formulates workplace diversity and promotes gender equality policies to achieve gender equality and empower women.				

Directors' training courses in 2022

Title	Name	Date	Course Name	Organizer	Hours
Chairman	UMC Representative : Chia-Tsung Hung	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Representative of Juristic-Person Director	UMC Representative: Ying-Sheng Shen	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Representative of Juristic-Person Director	Unimicrom Representative: Zhen-Li Huang	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Director	Kuo-Yung Wang	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Director	Shih-Chin Lin	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Director	Wen-Ju Tseng	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Independent Director	Ning-Hai Jin	Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
Independent Director	Ping-Kuan Luo	Mar 9, 2022	ESG climate risk management - the application and development trend of hedging financial products.	TIDA	3
		Apr 7, 2022	How to analyze financial statements to evaluate the company's operating capabilities, performance and risks?	TIDA	3
		Apr26, 2022	In-depth analysis of insider trading and special breach of trust in the Securities Exchange Law and practical cases.	TIDA	3
		Jun 20, 2022	Corporate Governance Forum - Principles of Treating Customers Fairly	TABF	3
		Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Aug10,2022	Practical case analysis of related party transactions and unconventional transactions.	TIDA	3
		Sep 8, 2022	Board of Directors Reviews Risks and Practices for Asset Value.	TIDA	3
		Sep28, 2022	In-depth analysis of the impact and risks of financial	TIDA	3

			statements on business operations from the perspective of CFO.		
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3
		Nov 9, 2022	How can independent directors detect the company's financial crisis early?	TIDA	3
		Nov22,2022	Strategies, objectives, material issues, financial and non-financial information disclosure of the ESG sustainability report.	TIDA	3
Independent Director	Wan-Fen Zhou	May12,2022	Twin-Summit Forum	TWSE, Alliance Advisors, TCGA	2
		Jul 26, 2022	ESG Sustainability Committee Carbon Inventory, Carbon Inspection and Carbon Reduction Measures Standardization and Practical Operation.	TIDA	3
		Jul 27, 2022	Sustainable Development Roadmap Industry Theme Publicity Conference	TWSE, TPEX	2
		Oct 25, 2022	The latest development trends and strategies of consumer electronics under the background of inflation, Russia-Ukraine war and US anti-China.	TIDA	3

(4) Composition, responsibilities and operation of the Compensation and Remuneration

Committee:

The Compensation and Remuneration Committee is designed to assist the Board of Directors with the implementation and evaluation of Faraday's overall compensation and remuneration policies, as well as the remuneration to the Directors and managers.

Information of Compensation and Remuneration Committee Members

Qualifications	Professional qualifications and experience	Independence analysis	Number of members who are concurrently members of the compensation and remuneration committees of other public companies
Name			
Ning-Hai Jin (Convener)	Mr. Jin had Master of Engineering Science, University of Michigan. He has knowledge of the industry, international market perspective, both operating management and academic abilities, business and technology industrial management and corporate governance. He was the General Manager of Aurora Holdings Incorporated and Legal representative of Taiwan Life Insurance Co., Ltd. He is currently the Chairman of Lan-Hai Electro-optical Inc. and Starlevel Media Services Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.	According to Faraday's "Articles of Incorporation", "Corporate Governance Best Practice Principles" and "Procedures for Election of Directors", directors are elected through the nomination system. Faraday has obtained the nomination and selection of board members. Written statement, academic experience, proof of employment and kinship form to verify the independence of Faraday, the spouse	0

Bing-Kuan Luo	Mr. Luo had Master of law, Fu Jen Catholic University and PhD of Management, Shanghai Fudan University. He has knowledge of the industry, international market perspective, both operating management and academic abilities, abilities in legal, finance, crisis management, and corporate governance. He was the consultant at the Ministry of Economic Affairs and Eastern Taiwan Joint Services Center, Executive Yuan, Vice President and Chairman of Taiwan of HKiNED, and Chief Investment Officer and China Certified M&A Dealmaker of Kai-Da International Strategy Counseling Corp. He is currently the Chairman of Hua-Shuan International Counselling Corp. and TIDA Taiwan, and is not under any circumstances listed in Article 30 of the Company Act.	and relatives within the second degree. The three independent directors listed on the left have met the qualification requirements stipulated in the "Regulations on the Appointment of Independent Directors of Public Offering Companies and Matters to Be Followed" and Article 14-2 of the Securities and Exchange Law issued by the Financial Supervisory Commission during the two years before the election and during their tenure , and all independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers.	0
Wan-Fen Zhou	Ms. Zhou had Bachelor of International Trade, Tamkang University. She has knowledge of the industry, practical experience, both decision-making and academic abilities, accounting and financial analysis ability, operation management, and practical ability in crisis management. She was the Chief Financial Officer of Dawning Leading Technology Inc., Deputy Manager at UMC, supervisor at Jai-Yon Investment Corp. Ms. Chou is currently the Finance Senior Director at King Yuan Electronics Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.		0

Operation of the Compensation and Remuneration Committee

1. There are a total of 3 members in Faraday's Compensation and Remuneration Committee.
2. Current term of committee members: July 7 2021, to July 6, 2024. The Compensation and Remuneration Committee held 2(A) meetings in 2022, attendance status of which is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ning-Hai, Jin	2	0	100%	
Member	Bing-Kuan Luo	2	0	100%	
Member	Wan-Fen Zhou	2	0	100%	
Annotations: (i) If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion,					

resolution by the board of directors, and Faraday's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

- (ii) Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Board meeting date	Session	Contents of the motion	Result	Faraday's disposal of member opinions
February 22, 2022	3 th session of 5 th term	1. Proposal for the remuneration distribution of Directors and employees in 2021. 2. Proposal for the remuneration recommendations of managers.	Approved by all Committee Members.	Submit to the Board of Directors and approve it through the directors who participated in the discussion and voting.
July 26, 2022	4 st session of 5 th term	Proposal for employee stock ownership trust.		

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>1. In fulfilling corporate social responsibility initiatives, Faraday gives due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance to continuously improve the sustainable performance. In 2019, Faraday established a Corporate Sustainability Commission in charge of developing sustainable corporate strategies and initiatives, with the purpose of strengthening corporate governance, protecting the environment and implementing social responsibility. The general manager acts as the chairman and corporate sustainable development is the supreme guiding principle. It reviews the corporate sustainable performance regularly every six months and reports the annual implementation result to the Board of Directors.</p> <p>2. Five working teams are assigned under the Corporate Sustainability Commission: corporate governance team, proud partner team, sustainable environment team, friendly work place team, and society feedback team to promote and manage corporate social responsibility related work. The team members are composed by relevant department, and the manager of the division</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>level (including) is assigned to be in charge. A general director is assigned to coordinate the promotion of corporate sustainable issues with each team.</p> <p>3. The chairman of the “Corporate Sustainability Commission” shall report to the Board of Directors on the implementation result of sustainable development and future work plan at least once a year. The most recent report to the Board of Directors was on July 26, 2022, including motions of (1) Identify the sustainable issues that require attention and make corresponding action plan (2) Amendment to goals and policies of sustainable issues (3) Supervise and evaluate the implementation of sustainable issues.</p> <p>4. Faraday reports to the Board of Directors regularly (including ESG report). The management also reviews Faraday’s business strategies with the Board and updates the Board on the progress of those strategies, obtaining Board guidance for adjustment when necessary.</p> <p>5. To implement corporate sustainable development strategy, each team has established corporate sustainable promotion index in accordance with its authority and responsibility. The Sustainability Commission meets every half year to discuss previous implementation results of sustainable promotion index and the goal and plan of the next phrase, in order to reach the goal of sustainable development by continuous improvement.</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Summary description									
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<div>1. The disclose information covers the sustainable development performance in the main branches from January to December 2022. The risk assessment boundary is primarily based on Hsinchu branch.</div> <div>2. The Board of Directors had approved the “Risk Management Policy” on April 23 2020 as the supreme guiding principle for risk management. Faraday conducts risk identification, risk assessment, and risk impact analysis on possible risks in advance, then make and implement crisis coping measures on high-risk impact items. In order to effectively control risk in an acceptable range, the Board and management of Faraday regularly supervise and review risk management policy to continuously improve the risk management mechanism.</div> <div>3. Faraday identifies and induces possible significant risks in its operation from “corporate governance”, “environment”, and “society” in accordance with the materiality principle, while making corresponding management approach and crisis coping measure on all types of risks to minimize the uncertainty of operation.</div> <div>4. Risk management policies or strategies are made after risk assessment:</div> <table><tr><th>Risk aspect</th><th>Risk issue</th><th>Coping strategy</th></tr><tr><td rowspan="2">Corporate Governance</td><td>Strategic risk</td><td>Use diversification investment to cope with price risk of equity securities and other investment.</td></tr><tr><td>Credit risk</td><td>1. Use creditenhancement tools</td></tr></table>	Risk aspect	Risk issue	Coping strategy	Corporate Governance	Strategic risk	Use diversification investment to cope with price risk of equity securities and other investment.	Credit risk	1. Use creditenhancement tools	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Risk aspect	Risk issue	Coping strategy										
Corporate Governance	Strategic risk	Use diversification investment to cope with price risk of equity securities and other investment.										
	Credit risk	1. Use creditenhancement tools										

Evaluation item	Implementation status			Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No			
				at appropriate time (such as advance payment) to reduce counterparty credit risk. 2. Follow credit risk policies, procedures, and controls to cope with credit risks.	
			Market risk	1. Manage exchange rate risk by natural hedge and foreign exchange forward contract. Make foreign exchange forward contract in certain currency. 2. Shorten the contract period for investments with low liquidity. 3. Regularly provide information on equity securities portfolio to top management for review and approval.	
			Liquidity risk	1. Maintain financial flexibility with cash, cash equivalents, marketable securities with high liquidity, and bank borrowings. 2. Improve the recovery rate and period on outstanding payment.	
			Information security risk	1. Construct outside-in oriented information security protection measures to avoid	

Evaluation item	Implementation status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons	
	Yes	No	Summary description			
					external attacks such as malicious hacker, virus, and blackmail. 2. Establish protection measures in accordance with confidential level. 3. Establish employees’ concept of information security through education training and regular announcement. 4. Regularly evaluate the appropriateness and effectiveness of information security operation. 5. Make project plan for continuous strengthening protection measures to reduce information security risk. 6. Confidential agreement signed by employees. 7. Sign confidential contract when providing sensitive information to the third party vendors or customers to comply with confidentiality.	
			Environment	Climate change	Review international environmental protection trend every year and conduct internal training and promotion to make	

Evaluation item	Implementation status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description		
					employees be aware of the impact of climate change, understand the annual principle direction of environmental protection, and cooperate with the environmental protection policy at work.
			Society	Supply chain risk	1. Establish supply chain sustainable evaluation system and include carbon, water risk management and material supply emergency procedure in the evaluation items. 2. Globalize the supply chain.
				Infectious diseases risk	Establish an emergency command center and assign general manager or top manager in the event of a disaster as the commander in chief, and managers in each division as the members to work on disaster reduction.
3. Environmental Issues (1)Has the Company set an environmental management system designed to industry characteristics?	V		Faraday established environment management system in accordance with the green environmental policy. It conducts greenhouse gas emissions check primarily based on Hsinchu branch in accordance with the operation right of control. The reduction result is tracked and disclosed in the sustainability report and Faraday’s website. (https://www.faraday-tech.com/tw/content/CSR/CSR_DownloadReport)		Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		<p>1. Faraday eradicates all kinds of waste, including water and energy, and continues to improve processes of maintenance, saving, recycling and reusing. It has established restricted substance control standard on product and packaging material, and followed the regulations, protected the earth, and reduced impact on ecological system. Meanwhile, Faraday continues to pay attention to climate change trend and regulation compliance, and saves water and electricity by purchasing energy saving equipment and implementing energy saving policy and measure, such as irregularly promote energy saving and carbon reducing (turn off the computer and monitor after work, security would help to turn off unnecessary lighting and air conditioning while patrolling the office). Products with energy saving labels will be prioritized when purchasing equipment in the future.</p> <p>2. Faraday is the leading research and developing manufacturer of ASIC (Application Specific Integrated Circuit) and IP (intellectual property). Products are manufactured by entrusted outsourcing manufacturer; therefore, most energy consumption is general livelihood needs such as air conditioner, lighting, and server utilization equipment. The main energy used is outsourced electricity. The total electricity consumption in 2022 was 6,451,688 kWh, which is 187,241 kWh less</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>in comparison with 2021. The continuous implementation of the energy-saving plan replaced old equipment to improve the efficiency of power consumption, reducing the overall power consumption.</p> <p>3. In 2022, the energy-saving plan will continue: (1) The fluorescent lamps in the test area will be replaced with 18W LED lamps, a total of 115 lamps, which will reduce the annual energy saving of lighting electricity by 17,595 degrees. (2) The adsorption dryer of the air compressor system is replaced with an energy-saving type, which saves the electricity consumption of the air compressor, and the annual energy saving is 44,161 degrees. (3) The IE3 high-efficiency motors for cooling tower cooling fan motors will be replaced, with an annual energy saving of 7,840 degrees; in 2022, the total energy saving will be 69,596KWh, and the carbon reduction will be 35.43 tons of CO₂e.</p> <p>4. Since the package waste reduction project was introduced in 2019, it has saved 37,271 paper boxes. The goal for zero usage on one-time paper box was achieved since 2020.</p> <p>5. The raw material used in company products was purchased from smeltery certified by the Responsible Minerals Initiative, RMI. None of the metallic mineral source was from high risk areas that were identified by Organization for Economic Cooperation and</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Summary description									
			Development (OECD). Also, according to customers’ request, the products have met the limit requirement of EU RoHS Directive and REACH requirement. No customer complaint or return was caused by violation against RoHS or REACH in 2022.									
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		<div>1. Faraday follows TCFD report structure, supervised by the Corporate Sustainability Commission under the Board of Directors, the general manager, as a primary member, will review and report the performance to the Board of Directors at least once a year. It allows the Board of Directors and management officers to understand the impact that climate change has made on Faraday, and also discloses climate related information of 4 aspects by the Recommendations of the Task Force on Climate-related Financial Disclosures structure published by TCFD: Governance, Strategy, Risk Management, Indicators and Targets.</div> <div>2. Potential risk and opportunity caused by climate change and its coping measures:</div> <table><tr><th>Risk</th><th>Impact</th><th>Opportunity</th><th>Coping measures</th></tr><tr><td>Increased occurrence frequency and severity of typhoon / flood</td><td>Accelerate assets depreciation and increase equipment maintenance cost</td><td>Recycle and reuse</td><td>1. For factory facility, it should pay attention to water pump in the basement and make sure</td></tr></table>	Risk	Impact	Opportunity	Coping measures	Increased occurrence frequency and severity of typhoon / flood	Accelerate assets depreciation and increase equipment maintenance cost	Recycle and reuse	1. For factory facility, it should pay attention to water pump in the basement and make sure	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Risk	Impact	Opportunity	Coping measures									
Increased occurrence frequency and severity of typhoon / flood	Accelerate assets depreciation and increase equipment maintenance cost	Recycle and reuse	1. For factory facility, it should pay attention to water pump in the basement and make sure									

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description				
						it works well, and take precaution measures when severe typhoon or heavy rain warnings are lifted. 2. Make plans in advance to replace old equipment to response to equipment with increasing carbon emissions and decreasing efficiency.	
			Average temperature rising	Increase cost on electricity for air conditioner and factory facility	Low-carbon energy transition	1. Propose and implement energy saving plan every year. 2. Promote advanced metering infrastructure to deploy IP and ASIC research and development	

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description				
						that are required for advanced metering IC.	
			Water rationing (outage) or electricity rationing (outage)	Affect stability of supply chain process and cause customer complaint or operating cost to increase	Energy saving measures, improve water resource efficiency	1. Start generator system. The existing fuel storage can support electricity needs in server room for more than 10 hours. Start generator oil tank supplied by tanker truck, which allows the supply up to days. 2. Establish supply chain sustainable evaluation system and include carbon, water risk management and material supply emergency	

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description				
						procedure in the evaluation items.	
			Low Carbon Technology Transformation	Affected by potential carbon tax and carbon trading system, the operating cost would increase	Participate in carbon market and renewable energy	1. Promote paperless, build smart working environment, and implement digital transformation. 2. Reusable paper box to replace one-time paper box.	
			Customer’s behavior changed	Customers’ awareness of sustainability is increased and demand for low-carbon products and services is increased. They might switch to service with lower carbon and affect our revenue.	Green operation, low-power consumption on technology development	1. Make green product development plan to research for low-power consumption SoC and deploy new applications such as Internet of Things, artificial intelligence, communication and multimedia to gain business opportunity.	

Evaluation item	Implementation status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons		
	Yes	No	Summary description				
						2. Adopt green and non-toxic substance in manufacture process and packaging, and continue to strengthen customer service and competitive advantage.	
			Negative feedback from stakeholders increased	High carbon emissions and low weather resilience will affect customer trust and company goodwill damage	Improve investors' willingness on long-term investment	1. Respond to green energy policy in many countries and look for new business opportunity. 2. Introduce TCFD structure to improve climate-related financial disclosure and communication with customers and the stakeholders.	
			The detailed description of Faraday's climate change risk and opportunity analysis has been disclosed in the				

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons												
	Yes	No	Summary description													
			Faraday’s Corporate Sustainability Report and website. (https://www.faraday-tech.com/tw/content/CSR/TCFD)													
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		<div> 1. Faraday adopts operation right of control and conducts greenhouse gas emissions check primarily based on Hsinchu branch. It is divided into two categories as direct discharge (category 1) and indirect discharge (category 2). 2. Greenhouse gas emission from 2021 to 2022 <table> <tr> <th>Year</th> <th>2022</th> <th>2021</th> </tr> <tr> <td>Direct Discharge (Ton CO₂e/year)</td> <td>111.324</td> <td>255.249</td> </tr> <tr> <td>Indirect Discharge (Ton CO₂e/year)</td> <td>3,283.909</td> <td>3,332.741</td> </tr> <tr> <td>Total</td> <td>3,395.233</td> <td>3,388.170</td> </tr> </table> <div> Note : The main source of emissions is the indirect emissions of 3,283.909 Ton CO₂e from purchased electricity, accounting for 96.721% of the overall emissions. Faraday continues to conduct greenhouse gas emission check and implement management work, and actively promote measures to reduce greenhouse gas emission based on the inspection result. With continuous improvement plan and activity, the Company could reduce the global warming impact on the environment and weather due to greenhouse gas emission and take corporate social responsibility. </div> </div>	Year	2022	2021	Direct Discharge (Ton CO ₂ e/year)	111.324	255.249	Indirect Discharge (Ton CO ₂ e/year)	3,283.909	3,332.741	Total	3,395.233	3,388.170	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
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Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																		
	Yes	No	Summary description																			
			<div> <div>3. Water consumption statistic from 2021 to 2022</div> <div>Unit: m3</div> <table> <tr> <th>Year</th> <th>2022</th> <th>2021</th> </tr> <tr> <td>Externally purchase water consumption</td> <td>17,645</td> <td>17,259</td> </tr> </table> <div>Note: Hsinchu is the headquarter of Faraday Technology. Water consumption is based in Hsinchu office as statistic boundary.</div> <div>100% of Faraday's water intake comes from Taiwan Water Corporation. No use of surface water, ground water, underground water, sea water, produced water, or third-party water . It is mainly used for general domestic water, no process water, and no waste water produced during the process. , only the general domestic sewage produced by the office. The company will continue to promote various water-saving measures and publicity to reduce and control the consumption of water resources.</div> </div> <div> <div>4. Industrial waste output and treatment statistics from 2021 to 2022</div> <div>Unit: Ton</div> <table> <tr> <th>Year</th> <th>2022</th> <th>2021</th> </tr> <tr> <td>Domestic waste</td> <td>14.72</td> <td>14.18</td> </tr> <tr> <td>Recycling</td> <td>8.26</td> <td>8.75</td> </tr> <tr> <td>Hazardous industrial waste</td> <td>2.01</td> <td>0.49</td> </tr> </table> </div>	Year	2022	2021	Externally purchase water consumption	17,645	17,259	Year	2022	2021	Domestic waste	14.72	14.18	Recycling	8.26	8.75	Hazardous industrial waste	2.01	0.49	
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Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons			
	Yes	No	Summary description							
			<table><tr><td>Total weight</td><td>24.99</td><td>23.42</td></tr></table> Faraday will keep working on resource saving, waste reducing, recycling and reusing to ease the environmental load, and achieve the goals of waste reduction, recycle and reuse for sustainable resources to keep the earth environmental friendly.				Total weight	24.99	23.42	
Total weight	24.99	23.42								
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		Faraday always pays attention to human rights and respect international labor human rights. In order to follow local regulations in operating sites around the world, Faraday has established measures regarding to human rights protection and labor policy in accordance with “International Human Rights Law”, key labor standard of the “International Labor Organization Convention”, and “International Labor Office Tripartite Declaration of Principles” and other human rights standards that are internationally recognized, as well as local regulation on labor, gender equality in employment. It also actively implements “Responsible Business Alliance Code of Conduct” and treat all full-time and part-time employees with respect, while prohibiting forced labor, child labor, discrimination, and ensure humane treatment and freedom of association. A total of 657.5 hours of training regarding to human rights policy was held in 2022.				Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.			
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation,	V		Faraday has established “Remuneration Operation Procedures” to explain salary calculation, bonus, holiday bonus, and employee bonus operations, as well as				Conform to the Sustainable Development Best Practice Principles			

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?			<p>“Performance Appraisal Management Procedure” as a criterion for personnel promotion, salary adjustment and bonus payment. It established remuneration policy to encourage and retain talents, and also motivate employees to boost sales performance and share operating result. It shall also set aside no less than 10% for remuneration of employees from net profit after tax in accordance with the Articles of Incorporation. Faraday provides diversified welfare and plans subsidies with the Employee Welfare Committee, such as travel subsidies, birthday coupons, birth subsidies, wedding/funeral/celebration subsidies, coupon purchase, funds for department activity, regular health checkup that is better than which required by laws and regulations, complete employee insurance, and annual leave that is better than regulations.</p> <p>Faraday implements equal pay for equal work and equal promotion opportunity for both genders. There were 20.78% female managers and 30.23% female employees as of the end of 2022.</p>	for TWSE/TPEX Listed Companies.
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		<p>Faraday provides a safe and healthy working environment to improve the quality of products and services and the enthusiasm of employees. It also complies with local laws and regulations on labor safety and health and international norms of social responsibility to prevent occupational accidents during work, thereby reducing the risk factors in the working environment; as of 2022, there were 0 occupational accidents.</p> <p>Faraday regularly organizes traffic safety publicity and health</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons												
	Yes	No	Summary description													
			<p>lectures; conducts employee health checks with standards superior to laws and regulations to ensure the safety and health of colleagues; Physical and psychological counseling services. Based on the analysis of health examination results and work-related factors, specific ethnic groups can be tracked and managed at different levels to prevent potential health risks.</p> <p>Environmental safety and health related education and training in 2022</p> <table><tr><th>Item</th><th>Safety and health education and training for new recruits</th><th>Fire training and emergency escape drill</th><th>Traffic Safety Lecture</th></tr><tr><td>Frequency</td><td>10</td><td>2</td><td>1</td></tr><tr><td>Participants</td><td>89</td><td>522</td><td>48</td></tr></table>	Item	Safety and health education and training for new recruits	Fire training and emergency escape drill	Traffic Safety Lecture	Frequency	10	2	1	Participants	89	522	48	
Item	Safety and health education and training for new recruits	Fire training and emergency escape drill	Traffic Safety Lecture													
Frequency	10	2	1													
Participants	89	522	48													
(4) Has the Company established effective career development training programs for employees?	V		<p>Faraday has spared no effort in the cultivation of talents, providing comprehensive assistance both in work and in life. At the same time, according to individual professionals, there are long-term training plans in education and training, on-the-job training, and future career development. Faraday is committed to efficient learning, systematic inheritance, and the establishment of a learning sharing resource platform. The results of talent cultivation are clear and solid. Faraday awarded the "National Talent Development Award" for large companies by the Ministry of Labor.</p> <p>Faraday's training categories are mainly classified into: new personnel training, R&D professional training, personnel safety and health training, supervisor training, general training, external</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.												

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			training domestic and foreign and agent training, 171 levels of internal training in 2022 (including e-Course): 84 training sessions for newcomers, 52 training sessions for R&D professionals, 14 training sessions for personnel safety and health, and 17 training sessions for supervisors; 56 training sessions for external training domestic and foreign .	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		<p>Faraday implements product safety management in each production link. From raw material management, monitoring of environmental control substance, to the safety of packaging material, everything has to be approved by the Company before use.</p> <p>Faraday also established a standard packaging operation regulation, so that the identifiable production batch on products and packaging and corresponding level of green product can meet the regulation requirement.</p> <p>For information security, Faraday also created an “Information Security Manual” in reference to ISO27001. The content includes control in aspects of organization, technology, and physical environment, such as information security policy, information security organization, assets management, access control, information security regulation to be followed, human resources safety, physical and environmental safety management, introduction and maintenance of information security system, network communication and operation management, reports of unusual event of information security, and operation continuous management.</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>The same information security management method is also required to be implemented by suppliers simultaneously to ensure the security of customer information during the production process.</p> <p>The Information Security Management System keeps the information's confidentiality, ethical, and availability with applied risk management process. With appropriate risk management, it could avoid internal and external threats, reduce information operational risk, and protect business confidentiality and privacy of the business partners.</p> <p>For customers to receive the best service, Faraday has established an eService system. When customers have questions or suggestions on products or service, they could sign in the eService system platform. A dedicated personnel will dispatch to the responsible unit according to the nature of their questions, and get back to the customers of the results. Meanwhile, the eService will automatically send a customer satisfaction questionnaire to check on their satisfaction to provide the best service to the customer.</p> <p>In 2022, Faraday will accept a total of 363 customer registration cases, with a 100% case closure rate, of which 99.2% will be closed on schedule, achieving the KPI target of 98% on schedule. In 2022, 88.9% of the customers with a satisfaction rate of 8 points or above will achieve the target. Faraday attaches great importance to customer feedback, and adheres to the concept of growing together</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			with customers, and will make the parts worthy of continuous improvement or single-point enhancement through comprehensive The Quality Management Committee instructs the relevant units to carry out continuous improvement and implement quality management in order to improve customer satisfaction.	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		<p>Faraday has established “Outsourcing factory assessment regulations” as screening criteria of suppliers regarding environmental protection, human rights, safety, health, and sustainable development, and as requirement and expectation of aspects in environmental, health, and safety risk, prohibition on child labor, labor management, not jeopardizing basic labor rights, code of ethics, and ethical management.</p> <p>Faraday has followed international standards of ISO9001 and ISO14001 to manage its suppliers. In addition, it requests 100% of the suppliers to obtain ISO45001 certification, and asks the suppliers to implement sustainability in daily management by quarterly evaluation and annual audit.</p> <p>All of our suppliers in 2022 have met the following criteria:</p> <p>(1)100% wafer packaging testing suppliers have obtained ISO9001 and ISO14001 certifications.</p> <p>(2)88.2% wafer packaging testing suppliers have obtained ISO45001.</p> <p>(3)Suppliers complete the signing of the "Declaration of</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			Non-Use of Conflict Minerals" with a 100% success rate. (4) The supplier audit rate is 100% and the completion rate of supplier information security audit deficiencies is 100%.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The 2022 Sustainability Report published by Faraday. The content of the report adheres to the principles of honesty, pragmatism, transparency and openness, and describes in detail the practice and actions of Faraday in corporate sustainability in 2022. Through this report, stakeholders from all walks of life who follow Faraday can better understand Faraday's investment and achievements in economic, environmental and social aspects. Faraday will also use this to continue self-examination and respond to the expectations of stakeholders from all walks of life in good faith to achieve the goal of sustainable development of the enterprise. The information disclosed in this report covers from January 1,2022 to December 31,2022, Faraday's economic, environmental and social actions and achievements in corporate governance, operating performance, sustainable environment, partnership, employee rights and social care performance data. In addition to the financial information covering Faraday's affiliates and subsidiaries in various countries, the scope of the rest of the report is set on the Hsinchu, Taiwan operating base including the operating	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>headquarters, and the information on the Taipei and Tainan offices (excluding overseas operating bases).</p> <p>This report collects the internal and external issues relevant to corporate governance, economic, environmental and social aspects of Faraday; helps understand the issues that stakeholders are concerned about based on materiality analysis; formulates the structure of this report and the key topics of disclosure. In addition, this report is compiled according to the GRI Standards 2021, issued by the Global Sustainability Standards Board (GSSB) and SASB, on its preparation and disclosure of the content.</p> <p>The content of this report is provided by each responsible team after review by the unit supervisors. After compilation by the corporate sustainability committee, the supervisors of each competent unit will check the correctness of the content, and then be confirmed by the chairman of the corporate sustainability committee and submitted to the Board of Directors. In order to strengthen the correctness and credibility, this report has entrusted an external independent and credible SGS to verify it according to AA1000 AS (2018) Type II Moderate Assurance Level. For the guarantee statement, please refer to the appendix of this report.</p> <p>Faraday publishes a Corporate Sustainability Report every year, and it is available for download and browsing in the corporate sustainability zone of Faraday's website.</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			(https://www.faraday-tech.com/tw/content/CSR/CorporateSustainability)	
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: None				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development:				
(1) Faraday's official website has a dedicated area for Sustainable Development, providing investors and stakeholders with instant access to important information.				
(2) In response to the occurrence of social catastrophes, we will initiate donations from colleagues from time to time to help disadvantaged groups in society.				
(3) The company prepares a budget every year, and has a love fundraising mechanism to donate to charities and public welfare organizations.				
(4) Participate in industry-related activities, share industry experience, and assist enterprise organizations to optimize operation and management, thereby promoting the advantages of sustainable development of domestic industries.				
(5) Promote campus education and scientific and technological research, through speeches and visits, to understand the evolution of the ASIC design service industry and the importance of innovative technologies, and then encourage students to actively learn and grow, and become a new force in the technology industry in the future.				
(6) Sponsor the green award selection activities, promote environmental biodiversity and species restoration, and enhance environmental protection concepts.				
(7) In response to environmental protection and energy saving measures, rainwater recovery devices are installed in the office building for landscape sprinkler irrigation, and water resources are reused.				
(8) Faraday attaches great importance to the recognition and development of the local communities where it operates, actively promotes local employment, and continues to recruit students and talents from the locations where Faraday operates (Hsinchu, Taipei, Tainan) every year; as of the end of 2022, the number of employees employed in the locations where Faraday operates will account for 59.6%. It shows Faraday's positive contribution to assisting local development, promoting local employment opportunities, and invigorating exchanges in real estate studies.				
(9) Implement the maternal health protection plan, and support breastfeeding with lactation room facilities and management standards that are superior to laws and regulations. In 2022, it will be certified as a friendly lactation room by the Hsinchu City Health Bureau, and will receive				

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
the highest honor "Excellent Lactation Room Certification". (10) Long-term support for the development of domestic culture and art, regularly invite domestic art groups, orchestras and artists to perform at Faraday’s activities every year, and inject domestic cultural and art activities.				

(6) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

The internal management measures and implementation status of the Group are in compliance with Faraday Law, the Securities Exchange Law and the local related legal regulations of the various affiliates. The executives and the Directors all fulfill the duty of care as Faraday's manager, and maintain a good communication channel with the external auditor to implement the Ethical Management Principle.

Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		Faraday has formulated the "Ethical Corporate Management Best Practice Principles" and the ". Procedures for Ethical Management and Guidelines for Conduct" to specifically regulate all personnel of Faraday (including subsidiaries) in the process of engaging in business activities, and shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or commit other dishonest acts that violate ethical, lawlessness, or breach of fiduciary duty, to obtain or maintain benefits. The " Ethical Corporate Management Best Practice Principles " has been approved by Faraday's Board of Directors. Related policies and plans have also been disclosed on Faraday's website. The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement The Board of Directors of Faraday perform the duty of	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			care of good managers and supervise Faraday to prevent dishonest behaviors to ensure the implementation of the ethical management policy. In addition, to improve the ethical of Faraday's operations, the audit unit included the compliance of the " Ethical Corporate Management Best Practice Principles" into the scope of inspection and regularly reported to the Board of Directors about the deficiencies and improvement measures. Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance Directors who have an interests in themselves or the legal person they represent, which may be harmful to Faraday's interests, shall not participate in the Board of Directors' discussions and voting.	
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		In the " Ethical Corporate Management Best Practice Principles " and "Procedures for Ethical Management and Guidelines for Conduct ", Faraday aims at preventing bribes, dissuading illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainment or other improper benefits, infringement of trade secrets, trademark rights, patent rights, copyrights and other intellectual property rights, and engaging in unfair competitive behaviors, products and services directly or indirectly damaging the rights, health and safety of consumers or other interested parties during research and development,	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>procurement, manufacturing, provision or sales. Faraday conducts risk evaluation for the corruption-related issues through self-inspection by related unit and self-assessment by the law compliance unit to effectively prevent and implement Ethical Management. Moreover, the audit unit conducts independent evaluation to ensure the operation of the overall mechanism to jointly manage and prevent the occurrence of dishonest behaviors.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement</p> <p>Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		<p>In the " Procedures for Ethical Management and Guidelines for Conduct ", Faraday explicitly regulates the matters that should be paid attention to in the implementation of business. Before establishing business relationships, consider the legality of agents, suppliers, customers, and other business transactions and whether they are involved in fraudulent behavior. We avoid transactions with dishonest behaviors, and clearly state Faraday's Ethical Management policies, expressly refuse to directly or indirectly provide, promise, request or accept any illegitimate benefits in any form. Meanwhile, Faraday has laid down the "</p>	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>Prosecution Method of Dishonest Behaviors" and established the reporting system, channels hotlines and e-mail for related dishonest behaviors. The whistleblower's identity and the content of the report are kept confidential, or appropriate protective measures are taken in accordance with the law. For reporting cases, if the investigation proves that there is a violation of relevant laws or regulations or Faraday's Ethical Management policies and regulations, the reported person will immediately be prohibited from any business activity. Appropriate actions and measurements will be conducted. If the circumstances are serious, Faraday may dismiss the person and ask for compensation in accordance with laws and Company regulations to protect Faraday's reputation and rights. To ensure that every personnel of Faraday follows the rules, Faraday regularly conducts education, training, and promotion to help them fully understand Faraday's determination, policies, prevention plans, consequences and punishment of dishonest behavior.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement</p> <p>Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
<p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it</p>	V		Faraday evaluates the legality, ethical management policies and record of dishonest behaviors of counter	Conform to the Ethical Corporate Management Best

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
has business relationships with and include ethical conduct related clauses in the business contracts?			agents, suppliers, customers or other business contacts before establishing any business relationship. The measures help to ensure the counterparties operate fairly and transparently, and will not request, offer or accept bribes. When cosigning with customers and suppliers, Faraday includes the Ethical Policy in the business contract. If any counterparty is found with dishonest behavior, the transaction and cooperation terminate immediately, so as to implement Faraday's Ethical Management Policy. The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance	Practice Principles for TWSE/TPEX Listed Companies.
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		Under the "Procedures for Ethical Management and Guidelines for Conduct" established by the board of directors, Faraday has set up an "Ethical Management Team" under the corporate governance group in the corporate sustainability committee, which is responsible for promoting Faraday's ethical management, anti-corruption, anti-bribery and compliance with laws and regulations. Governance matters, and report directly to the board of directors on its implementation every year; the latest report date is: July 26, 2022. Faraday actively implements the promotion and implementation of the ethical management policy. In	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>addition to requiring all employees to sign the Ethical Code, it continues to conduct education and training for relevant personnel, publicize legal compliance, and regularly review and review various measures to improve the implementation of Faraday's ethical management. Faraday conducts ethical management and ethical code education, training and publicity when each new employee arrives and every year, so that all colleagues can fully understand Faraday's determination, policies, prevention plans, and consequences of violations of ethical. The ethical management publicity course training totaled 658.5 hours in 2022.</p> <p>The relevant implementation results in 2022 are as follows: conduct education and training on honest business operations, prohibition of dishonest behavior and damage to the interests of interested parties, and confidentiality obligations for Faraday's intellectual property rights. Hold a symposium for all employees of Faraday, labor-management meetings, executive meetings, newcomer training, and internal webpages to promote the theme of "implementing the value of ethical and sustainable development of the enterprise", and compile the ethical management code and important internal important information processing regulations. Through case studies, publicize the matters that colleagues should pay attention to when performing business.</p> <p>In addition, ethical management is included in</p>	

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>employee performance appraisal and human resource policies, and a clear and effective disciplinary system is established. In 2022, there will be no corruption and anti-competitive behaviors. The reporting system and the protection of whistleblowers have been implemented. In 2022, 0 external whistleblowing cases were accepted, and 0 employees directly reported 0 cases. There was no case involving dishonest behavior. In addition, Faraday's " Ethical Corporate Management Best Practice Principles " is formulated by the ethical management group, and the formulation, amendment or abolition of the principles are approved by the Board of Directors. Faraday's board of directors fulfills the duty of care of a good manager, supervises the company to prevent dishonest behavior, and ensures the implementation of the honest management policy.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		Faraday has set up a policy to avoid conflicts of interest in the " Procedures for Ethical Management and Guidelines for Conduct ". Faraday's Directors, managers, stakeholders and any attendee of the Board Meeting, who has conflict interest to the resolutions, should disclose the information and give up his/her	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>right to vote when the conflicts are in doubt. In addition, the above-mentioned personnel shall withdraw the discussion and shall not vote by proxy for other Directors. The Directors should be self-disciplined and covered others' conflict of interests. During the execution of company business, any personnel of Faraday that finds conflicts with their own interests or the legal persons he/she represents, or may obtain illegitimate benefits for himself/herself, spouses, parents, children or other stakeholders, shall report the matters to the supervisor and responsible units for appropriate guidance. The employees of Faraday shall not use any company resources for business activities outside Faraday, and shall not affect their work performance while participating in business activities outside Faraday.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		Faraday has a rigorous accounting and internal control system, including paying attention to related party transactions, establishing a bargaining system and a layered authorization review system, etc. If an employee found that any violation of the Ethical Code during business operation, they are responsible to report the incident.	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		Faraday actively implements the promotion and implementation of the Ethical Management. In addition to requiring all colleagues to sign the Ethical Code, we keep educating and training relevant personnel, conducting legal compliance advocacy, and regularly reviewing various measures to enhance the implementation of Faraday's Ethical Management. Faraday also conducts education, training, and advocacy of Ethical Corporate Management Best Practice and Ethical Codes for every newcomer to help all colleagues fully understand Faraday's determination, policies, prevention plans and the consequences of violating the Ethical Corporate Management Best Practice. In 2022, a total of 658.5 hours were trained educated on the Ethical Corporate Management Best Practice. The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling	V		Faraday has set up a specific reporting system in accordance with the " Ethical Corporate Management Best Practice Principles" and the ". Procedures for Ethical Management and Guidelines for Conduct" to actively prevent dishonest	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
complaints received from whistleblowers?			<p>behaviors, encourage internal and external personnel to report dishonest or improper behaviors. The audit office is designated to accept reports. The Stakeholder Area on the Faraday's website provides effective communication channel for employees, shareholders, stakeholders, and outsiders. If the report involves Directors or senior executives, the report will be sent to Independent Directors or Supervisors, and establish the whistleblower protection system. The identity and contents of the report are kept confidential or being appropriate protect in accordance with the law. The whistleblower is also protected from improperly punishment. In 2022, a total of 0 external reporting cases were accepted and 0 employees directly reported, and there were no cases of dishonest behavior.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		Faraday clearly stipulates Faraday's reporting channels, investigation and handling procedures, and whistleblower protection measures in the "Protection on whistleblower principle" to ensure the legitimate rights and interests of relevant personnel. Faraday	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>handles reporting cases in a confidential manner, and handles them promptly, impartially and objectively, keeping the identity of the informant and the content of the report confidential or taking appropriate protective measures in accordance with the law. For reporting cases, if the investigation proves that there is indeed a violation of relevant laws or Faraday's ethical management policies and regulations, it will immediately require the person being reported to stop the relevant behavior and deal with it appropriately. Dismissal or dismissal according to management measures, and if necessary, request damages through legal procedures to protect Faraday's reputation and rights. Constructive reporting is an act of safeguarding the rights and interests of colleagues, the company and shareholders. For those who are verified to be true, Faraday will give appropriate rewards according to the situation.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement</p> <p>Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V		As described above, Faraday takes appropriate protective measures for the informant, including but not limited to: the name of the informant or any fact sufficient to identify the person shall not be recorded in the public document without the whistleblower's	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>agreement; the whistleblower's address, telephone, e-mail, or relevant information must be kept strictly confidential; the investigation and verification should be done without revealing the whistleblower's identity. If the whistleblower is an employee, Faraday guarantees he/she will not be subject to improper disposal due to the whistleblowing.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement</p> <p>Relevant regulations of Faraday's Ethical Management : https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
<p>4. Strengthening Information Disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</p>	V		<p>Faraday had uploaded the "Ethical Corporate Management Best Practice Principles ", "Procedures for Ethical Management and Guidelines for Conduct " and " Prosecution method for dishonest behavior " and relevant information about Ethical Management on the Faraday's website to disclose information related to ethical management. The implementation status in 2022 is as follows: education and training are conducted on the ethical of business activities, the prohibition of dishonest behavior and the harm to the interests of stakeholders, and the confidentiality obligations to Faraday's intellectual property. Faraday promotes the theme of "Implementing the Value of Honesty and</p>	<p>Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>"Sustainable Development of the Enterprise" in colleague meetings, labor-management meetings, supervisor meetings, new recruit training, internal webpages, and intranet. We also remind the colleagues about matters they should pay attention during business operation through summarizing the Ethical Management Best Practice Principles and Procedures for Handling Material Inside Information through case studies. In addition, Ethical Management is incorporated into employee performance appraisal and human resources policies, while a clear and effective punishment system has been established. There are no corruption or anti-competitive behaviors reported in 2022. The whistleblowing system and whistleblower protection are working perfectly, and none of the dishonest cases were reported by external and internal personnel in 2022.</p> <p>The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/EthicalManagement Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance</p>	
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation : None.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles):				

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
Relevant regulations of Faraday's ethical management: https://www.faraday-tech.com/en/content/CSR/EthicalManagement The ethical management area of Faraday's website: https://www.faraday-tech.com/en/content/CSR/CorporationGovernance				

(7) For if the company has established corporate governance code and relevant regulations, please inquire as follows:

Faraday has established relevant regulations on corporate governance in compliance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies “, Faraday’s website is set with a ‘Corporate Governance’ area for investors to inquire and download.

Corporate Governance area of Faraday’s website:

<https://www.faraday-tech.com/en/content/CSR/CorporationGovernance>

The ethical management area of Faraday's website:

<https://www.faraday-tech.com/en/content/CSR/EthicalManagement>

Relevant regulations of Faraday's ethical management:

<https://www.faraday-tech.com/en/content/CSR/CorporationGovernance>

(8) Other important information sufficient for increasing understanding of corporate governance operations:

The operation of Faraday's corporate governance can be inquired at MOPS or Faraday's website.

<https://www.faraday-tech.com/en/content/index>

(9) Execution of internal control system

1. Internal Control Statement

Faraday Technology Corporation
Internal Control System Statement

Date: February 21, 2023

The internal control system of Faraday in the year 2022 is based on the results of self-assessment, and is hereby declared as follows:

- I. Faraday is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of Faraday. Faraday has established such a system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and asset security, etc.), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with relevant regulations, ruling and laws.
- II. The internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of the achieving the above-mentioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, Faraday's internal control system contains self-monitoring mechanisms, and Faraday takes immediate remedial actions against once a deficiency is identified.
- III. Faraday evaluates the design and effectiveness of the internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several sub-items, which can be found in the Regulations.
- IV. Faraday has evaluated the design and effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the results of the evaluation, Faraday believes that Faraday's internal control system (including supervision and management our subsidiaries), on December 31, 2022, has maintained effective, to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of Faraday's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This statement was approved by Faraday's Board of Directors on February 21, 2023. with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement

Faraday Technology Corporation

Chairman: Chia-Tseng Hung
President: Kuo-Yung Wang

2.If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: Not applicable.

(10) In the most recent year and until the publication of the annual report, Faraday and its internal personnel punished according to law, and Faraday punished its internal personnel for violating the internal control system, major defects, and relevant improvement: None.

(11) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and until publication of the annual report

In 2022 and until publication of the annual report , Faraday held a Shareholders' Meeting, and the important resolutions are as follows:

Date	Important resolutions	Implementation situation
May 24,2022	Approval Items 1. Faraday's 2021 Business Report and Financial Statements.(Include Consolidated and individual)	Approved by vote.
	2. Faraday's 2021 Distribution of Earnings.	After approving the proposal for distribution of earnings at Shareholders' Meeting, Faraday has set July 20, 2022 as the ex-dividend date, and have issued all cash dividends on August 11, 2022. (A cash dividend of NTD\$ 3.3 per share.)
	Discussion Items 1. To amend Faraday's "Rules of Procedures for Shareholder Meetings". 2. To amend Faraday's "Articles of Incorporation". 3. To amend Faraday's "Rules for Election of Directors". 4. To amend Faraday's "Operational Procedures for Loaning of Funds to Others". 5. To amend Faraday's "Operational Procedures for Endorsements / Guarantees". 6. To amend Faraday's "Procedures for Acquisition or Disposal of Assets".	Amended by resolution

As of the date of publication of the annual report in 2022, Faraday has held 6 meetings of the Board of Directors, and the important resolutions are as follows:

Date	Content of important resolutions
Board Meeting on February 22, 2022 (5 th session of 11 th term)	1. 2021 Business Report and Financial Statements. 2. Proposal for 2021 profit distribution. 3. 2021 profit distribution for employees and Directors. 4. Proposal for Faraday's managers' remuneration.

	<ol style="list-style-type: none"> 5. Proposal for implementation of the audit plan and internal control system validity examination in 2021. 6. Faraday regularly evaluates the independence and suitability of CPAs and appointment of CPAs in 2022. 7. Annual renewal of bank credit line. 8. To amend Faraday's "Articles of Incorporation". 9. The date of Faraday's 2022 Shareholders' Meeting, the reasons for the convening and the acceptance of proposals from shareholders holding more than 1% of the shares.
<p>Board Meeting on April 26, 2022 (6th session of 11th term)</p>	<ol style="list-style-type: none"> 1. Faraday's 2022Q1 Financial Statements. 2. Set up to the "Sustainable Development Best Practice Principles". 3. Amendment to the "Adoption of Codes of Ethical Conduct". 4. Amendment to the "Corporate Governance Best Practice Principles". 5. To amend Faraday's "Rules of Procedures for Shareholder Meetings". 6. To amend Faraday's "Rules for Election of Directors". 7. To amend Faraday's "Procedures for Acquisition or Disposal of Assets".
<p>Board Meeting on July 26, 2022 (7th session of 11th term)</p>	<ol style="list-style-type: none"> 1. Faraday's 2022Q2 Financial Statements. 2. Proposal for Handling Employee Stock Ownership Trusts. 3. To amend Faraday's "Standard Operating Procedures for Handling Directors' Requests".
<p>Board Meeting on October 25, 2022 (8th session of 11th term)</p>	<ol style="list-style-type: none"> 1. Faraday's 2022Q3 Financial Statements. 2. The 2023 Audit Plan. 3. Proposal for establishment of Singapore subsidiary. 4. To amend Faraday's "Articles of Incorporation". 5. To amend Faraday's "Rules for Performance Evaluation of Board of Directors". 6. To amend Faraday's "Rules of Procedure for Board of Directors Meetings".
<p>Board Meeting on December 15, 2022 (9th session of 11th term)</p>	<ol style="list-style-type: none"> 1. 2023 Operating Budget. 2. Annual renewal of bank credit line. 3. To amend Faraday's "Procedures for Handling Material Inside Information".
<p>Board Meeting on February 21, 2023 (10th session of 11th term)</p>	<ol style="list-style-type: none"> 1. 2022 Business Report and Financial Statements. 2. Proposal for 2022 profit distribution. 3. 2022 profit distribution for employees and Directors. 4. Proposal for Faraday's managers' remuneration. 5. Proposal for implementation of the audit plan and internal control system validity examination in 2022. 6. Faraday regularly evaluates the independence and suitability of CPAs and appointment of CPAs in 2023. 7. Proposal to formulate the general principles of Faraday's pre-approval non-confirmation service policy. 8. The date of Faraday's 2023 Shareholders' Meeting, the reasons for the convening and the acceptance of proposals from shareholders holding more than 1% of the shares. 9. Proposal of Release the new Prohibition on Directors from Participation in Competitive Business.

- (12) If the director or supervisor has had different opinions on the passing of important resolutions in the Board Meeting, with supporting records or written statements of opposing opinions in the most recent year and until the publication of the annual report: None.
- (13) Resignation or dismissal of personnel related to Financial Statements (including Chairman, President, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, Research and Development Supervisor, etc.) in the most recent year and until publication of the annual report: None.

4. Audit fees:

- (1) If the non-audit fees paid by the authorized accountant, the accountant's affiliated office and its related enterprise outweighed one quarter of the audit fee, the amount of the audit and non-audit fees and the non-audit service content shall be disclosed:

Unit: NTD thousand

Accounting Firm	Name of CPA	CPA' Audit Period	Audit Fee	Non-audit Fees	Total	Remark
Ernst & Young	Yu-Ni Yang, Hsin-Min Hsu	2022	4,830	700	5,530	Non-audit public expense, tax visa and transfer pricing report.

- (2) If the audit firm is replaced and the audit fee paid is lower than the year before the replacement, the amount of the current and previous audit fee and the reason shall be disclosed: Not applicable.
- (3) If the audit fee has decreased by more than 10% compared with the previous year, the amount, proportion and reason for the reduction shall be disclosed: Not applicable.

5. Change of CPAs information:

(1) Information regarding the former CPAs

Date of replacement	February 21, 2023		
Reason for replacement And explanation	Internal Adjustment		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Circumstances	Parties	CPAs
	Terminated the engagement		Not Applicable
	No longer accepted (discontinued) the engagement		Not Applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	Not Applicable		
Disagreement with the	Yes		Accounting principles or practices

Company?			Disclosure of financial reports
			Audit scope or steps
			Other
	No	√	
	Specify details		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	NA		

(2) Information Regarding the Successor CPAs

Name of accounting firm	Ernst & Young Global Limited, Taiwan
Name of CPAs	Shen-Jie Hu Yu-Ni Yang
Date of engagement	February 21, 2023
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	Not Applicable
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	Not Applicable

(3) The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: Not Applicable.

6. Faraday's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in charge of its finance and accounting operations holding any positions within Faraday's independent audit firm or its affiliates in the most recent year: None.

7. Equity transfer and pledge changes by Directors, Supervisor, Management and Shareholders with 10% shareholdings or more in the most recent year and up to the date of publication of the annual report

(I) Change in shareholding by Directors, Management and Shareholders with 10% shareholdings or more:

Unit: Share

Position	Name	2022		2023 (until March 31)	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Juristic-Person Director	United Microelectronics Corporation(Note 1)	—	—	—	—
Juristic-Person Director	Unimicron Technology Corp.	—	—	—	—
Representative of the Juristic-Person Director and Chief Strategy Officer	Chia-Tsung, Hung	—	—	—	—
Representative of the Juristic-Person Person Director	Ying-sheng, Shen	—	—	—	—
Representative of the Juristic-Person Director	Zhen-Li Huang	—	—	—	—
Director and President	Kuo-Yung Wang	—	—	—	—
Director and Chief Operating Officer	Shih-Chin Lin	(20,000)	—	—	—
Director and Chief Financial Officer	Wen-Ju Tseng	(20,000)	—	—	—
Independent Director	Ning-Hai, Jin	—	—	—	—
Independent Director	Bing-kuan, Luo	—	—	—	—
Independent Director	Wan-Fen Zhou	—	—	—	—
Senior Vice President	Chien-Ming Chen (Note 2)	(24,000)	—	—	—
Vice President	Jyh-Herng Wang	(20,000)	—	—	—
Associate Vice President	Chih-Shiun Lu (Note 3)	(27,000)	—	—	—
Associate Vice President	Rong-Shing Lai (Note 4)	—	—	—	—
Associate Vice President	Cheng-Hsing Chien	(2,000)	—	—	—
Associate Vice President	Kuo-Hua Lee (Note 5)	—	—	—	—
Associate Vice President	Shu-Hei Liao	—	—	—	—
Associate Vice President	Ying-Cih Yen	—	—	—	—

Note 1: Major shareholders with more than 10% shareholdings.

Note 2: Senior Vice President, Chie-Ming Chen was dismissed on December 22, 2022.

Note 3: Associate Vice President, Chih-Shiun Lu, resigned on February 3, 2023.

Note 4: Associate Vice President, Rong-Shing Lai, was dismissed on December 22, 2022.

Note 5: Associate Vice President, Kuo-Hua Lee, was dismissed on July 30, 2022.

(II) Equity transfer information: None.

(III) Equity pledge information: None.

8. Related party relationship or spouses and second-tier kinship among Faraday's 10 largest Shareholders:

March 26, 2023

Unit: Share

Name	Personal shareholding		Shares hold by spouse, under aged children		shares hold under the name of others		The title or name and relationship amongst top ten major shareholders with relationship or as the spouse, direct kinship according to Article 6 of financial accounting standards		Remarks
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or Name)	Relationship	
United Microelectronics Corporation Representative: Chia-Tsung, Hung	34,240,213 —	13.77% —	Not Applicable		—		None —	None —	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing, Tsai	8,169,000 —	3.29% —	Not Applicable		—		None —	None —	
New Labor Pension Fund	6,366,500	2.56%	Not Applicable				None	None	
Allianz Global Investors Taiwan Technology Fund	5,356,000	2.15%	Not Applicable				None	None	
JP Morgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds	4,768,000	1.92%	Not Applicable				None	None	
Public Service Pension Fund Supervisory Board	4,309,000	1.73%	Not Applicable				None	None	
JPMorgan SAR Greater China Fund	4,278,000	1.72%	Not Applicable				None	None	
AIA International Limited-internal-Relative Asia Equity XP	4,014,000	1.61%	Not Applicable				None	None	
Allianz Global Investors Taiwan Intelligence Trends Fund	3,000,000	1.21%	Not Applicable				None	None	
ABS Direct Equity Fund LLC - fund manager ASIA SERIES 3	2,974,000	1.20%	Not Applicable				None	None	

9. Shareholdings of Faraday, its Directors, managers and enterprises directly or indirectly controlled by Faraday in the same reinvested enterprise, and the ratio of consolidated shareholdings

March 31, 2023

Unit: Thousand shares

Transfer investment (Note)	Faraday's investment		Investment of Director, Manager, or under direct or indirect control of businesses		Consolidated investment	
	Number of shares	%	Number of shares	%	Number of shares	%
Faraday Technology Corporation (USA)	118,580(common stock) 2,000 (preferred stock)	100%	—	—	118,580(common stock) 2,000 (preferred stock)	100%
Faraday Technology Japan Corporation	2	99.95%	—	—	2	99.95%
Faraday Technology-B.V.I.	27,489	100%	—	—	27,489	100%
Chi Hong Investment Co., Ltd	53,950	100%	—	—	53,950	100%
Sheng Bang Investment Co., Ltd	10,202	100%	—	—	10,202	100%
Faraday Technology Vietnam Company Limited	—	100%	—	—	—	100%
Sinble Technology Pte. Ltd.	—	100%	—	—	—	100%

IV. Capital Raising

1. Capital and shares

(1) Source of capital

i. Capital formation

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
March, 2009	10	420,000	4,200,000	359,303	3,593,029	Transfer of employee stock option certificates	None	Note 1
April, 2009	10	420,000	4,200,000	359,311	3,593,109	Transfer of employee stock option certificates	None	Note 2
May, 2009	10	420,000	4,200,000	359,756	3,597,564	Transfer of employee stock option certificates	None	Note 3
August, 2009	10	420,000	4,200,000	360,607	3,606,071	Transfer of employee stock option certificates	None	Note 4
August, 2009	10	420,000	4,200,000	365,334	3,653,343	Capital increase transferred from surplus	None	Note 5
January, 2010	10	420,000	4,200,000	367,344	3,673,445	Transfer of employee stock option certificates	None	Note 6
April, 2010	10	500,000	5,000,000	369,987	3,699,873	Transfer of employee stock option certificates	None	Note 7
June, 2010	10	500,000	5,000,000	370,447	3,704,473	Transfer of employee stock option certificates	None	Note 8
August, 2010	10	500,000	5,000,000	370,538	3,705,383	Transfer of employee stock option certificates	None	Note 9
January, 2011	10	500,000	5,000,000	371,952	3,719,523	Transfer of employee stock option certificates	None	Note 10
March, 2011	10	500,000	5,000,000	366,952	3,669,523	Decrease in treasury stock	None	Note 11
April, 2011	10	500,000	5,000,000	370,392	3,703,918	Transfer of employee stock option certificates	None	Note 12
May, 2011	10	500,000	5,000,000	376,886	3,768,858	Transfer of employee stock option certificates	None	Note 13
August, 2011	10	500,000	5,000,000	378,236	3,782,358	Transfer of employee stock option certificates	None	Note 14
July, 2011	10	500,000	5,000,000	397,117	3,971,165	Capital increase transferred from capital cumulated	None	Note 15
January, 2012	10	500,000	5,000,000	398,027	3,980,270	Transfer of employee stock option certificates	None	Note 16

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
April, 2012	10	500,000	5,000,000	398,754	3,987,535	Transfer of employee stock option certificates	None	Note 17
May, 2012	10	500,000	5,000,000	402,310	4,023,098	Transfer of employee stock option certificates	None	Note 18
August, 2012	10	600,000	6,000,000	402,960	4,029,600	Transfer of employee stock option certificates	None	Note 19
January, 2013	10	600,000	6,000,000	403,608	4,036,075	Transfer of employee stock option certificates	None	Note 20
April, 2013	10	600,000	6,000,000	404,246	4,042,459	Transfer of employee stock option certificates	None	Note 21
May, 2013	10	600,000	6,000,000	406,208	4,062,075	Transfer of employee stock option certificates	None	Note 22
August, 2013	10	600,000	6,000,000	406,380	4,063,798	Transfer of employee stock option certificates	None	Note 23
November, 2013	10	600,000	6,000,000	406,893	4,068,930	Transfer of employee stock option certificates	None	Note 24
April, 2014	10	600,000	6,000,000	408,344	4,083,441	Transfer of employee stock option certificates	None	Note 25
May, 2014	10	600,000	6,000,000	411,079	4,110,788	Transfer of employee stock option certificates	None	Note 26
August, 2014	10	600,000	6,000,000	411,470	4,114,703	Transfer of employee stock option certificates	None	Note 27
November, 2014	10	600,000	6,000,000	413,125	4,131,255	Transfer of employee stock option certificates	None	Note 28
March, 2015	10	600,000	6,000,000	414,250	4,142,505	Transfer of employee stock option certificates	None	Note 29
August, 2015	10	600,000	6,000,000	248,550	2,485,503	Cash Refund Capital reduction	None	Note 30

Note 1: Transfer of employee stock option certificates, with 602 thousand shares, has been approved by Hsinchu Science Park Bureau 98.3.20 Yuanshang-zi No. 0980007957.

Note 2: Transfer of employee stock option certificates, with 8 thousand shares, has been approved by Hsinchu Science Park Bureau 98.4.22 Yuanshang-zi No. 0980010023.

Note 3: Transfer of employee stock option certificates, with 445 thousand shares, has been approved by Hsinchu Science Park Bureau 98.5.19 Yuanshang-zi No. 0980013417.

Note 4: Transfer of employee stock option certificates, with 851 thousand shares, has been approved by Hsinchu Science Park Bureau 98.8.20 Yuanshang-zi No. 0980022629.

Note 5: Capital surplus transferred from surplus of NTD \$47,271 thousand from 2009, with 4,727 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 98.7.10 Jinguan-zheng Fa-zi No. 0980034538.

Note 6: Transfer of employee stock option certificates, with 2,010 thousand shares, has been approved by Hsinchu Science Park Bureau 99.1.22 Yuanshang-zi No. 0990001404.

Note 7: Transfer of employee stock option certificates, with 2,643 thousand shares, has been approved by Hsinchu Science Park Bureau 99.4.9 Yuanshang-zi No. 0990009112.

Note 8: Transfer of employee stock option certificates, with 460 thousand shares, has been approved by Hsinchu Science Park

Bureau 99.6.1 Yuanshang-zi No. 0990014595.

Note 9: Transfer of employee stock option certificates, with 91 thousand shares, has been approved by Hsinchu Science Park Bureau 99.8.16 Yuanshang-zi No. 0990023695.

Note 10: Transfer of employee stock option certificates, with 1,414 thousand shares, has been approved by Hsinchu Science Park Bureau 100.1.14 Yuanshang-zi No. 1000001274.

Note 11: Decrease in treasury stock, with 5,000 thousand shares, has been approved by Hsinchu Science Park Bureau 100.3.14 Yuanshang-zi No. 1000007430.

Note 12: Transfer of employee stock option certificates, with 3,440 thousand shares, has been approved by Hsinchu Science Park Bureau 100.4.22 Yuanshang-zi No. 1000010699.

Note 13: Transfer of employee stock option certificates, with 6,494 thousand shares, has been approved by Hsinchu Science Park Bureau 100.5.18 Yuanshang-zi No. 1000013784.

Note 14: Transfer of employee stock option certificates, with 1,350 thousand shares, has been approved by Hsinchu Science Park Bureau 100.8.19 Yuanshang-zi No. 1000024283.

Note 15: Capital surplus transferred to capital of NTD \$188,807 thousand, with 18,881 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 100.7.18 Jinguan-zheng Fa-zi No. 1000033188.

Note 16: Transfer of employee stock option certificates, with 910 thousand shares, has been approved by Hsinchu Science Park Bureau 101.1.17 Yuanshang-zi No. 1010001486.

Note 17: Transfer of employee stock option certificates, with 727 thousand shares, has been approved by Hsinchu Science Park Bureau 101.4.11 Yuanshang-zi No. 1010010460.

Note 18: Transfer of employee stock option certificates, with 3,556 thousand shares, has been approved by Hsinchu Science Park Bureau 101.5.15 Yuanshang-zi No. 1010014163.

Note 19: Transfer of employee stock option certificates, with 650 thousand shares, has been approved by Hsinchu Science Park Bureau 101.8.16 Yuanshang-zi No. 1010025281.

Note 20: Transfer of employee stock option certificates, with 648 thousand shares, has been approved by Hsinchu Science Park Bureau 102.1.16 Yuanshang-zi No. 1020010747.

Note 21: Transfer of employee stock option certificates, with 638 thousand shares, has been approved by Hsinchu Science Park Bureau 102.4.16 Yuanshang-zi No. 1020010896.

Note 22: Transfer of employee stock option certificates, with 1,962 thousand shares, has been approved by Hsinchu Science Park Bureau 102.5.16 Yuanshang-zi No. 1020014150.

Note 23: Transfer of employee stock option certificates, with 172 thousand shares, has been approved by Hsinchu Science Park Bureau 102.8.15 Yuanshang-zi No. 1020024332.

Note 24: Transfer of employee stock option certificates, with 513 thousand shares, has been approved by Hsinchu Science Park Bureau 102.11.15 Yuanshang-zi No. 1020034787.

Note 25: Transfer of employee stock option certificates, with 1,451 thousand shares, has been approved by Hsinchu Science Park Bureau 103.4.1 Chushang-zi No. 1030009307.

Note 26: Transfer of employee stock option certificates, with 2,735 thousand shares, has been approved by Hsinchu Science Park Bureau 103.5.6 Chushang-zi No. 1030012756.

Note 27: Transfer of employee stock option certificates, with 391 thousand shares, has been approved by Hsinchu Science Park Bureau 103.8.13 Chushang-zi No. 1030023635.

Note 28: Transfer of employee stock option certificates, with 1,655 thousand shares, has been approved by Hsinchu Science Park Bureau 103.11.19 Chushang-zi No. 1030033760.

Note 29: Transfer of employee stock option certificates, with 1,125 thousand shares, has been approved by Hsinchu Science Park Bureau 104.3.30 Chushang-zi No. 1040008253.

Note 30: Cash refund capital reduction, with 165,700 thousand shares, has been approved by Hsinchu Science Park Bureau 104.8.4 Chushang-zi No. 1040022281.

ii. Type of shares issued in the recent year and until publication of annual report

(A)

March 31, 2023

Type	Approved share capital			Remarks
	Issued shares	Unissued shares	Total	
Common stock	248,550,313	351,449,687	600,000,000	Stock of listed company

(B) Shareholder structure

March 26, 2023

Shareholder structure Number	Government Agency	Financial Organization	Other Legal Persons	Individual	Foreign Organization and Legal Persons	Total
No of shareholders	4	31	302	64,015	318	64,670
No of Shares held	13,310,000	13,526,916	64,387,347	94,090,353	63,235,697	248,550,313
Shareholding ratio	5.36%	5.44%	25.90%	37.86%	25.44%	100.00%

(C) Dispersion of shares

Common stock

March 26, 2023

Range of no. of shares held	Number of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	35,755	3,187,970	1.28%
1,000 to 5,000	25,930	43,378,693	17.45%
5,001 to 10,000	1,664	12,893,422	5.19%
10,001 to 15,000	417	5,376,861	2.16%
15,001 to 20,000	238	4,382,650	1.76%
20,001 to 30,000	184	4,704,449	1.89%
30,001 to 40,000	97	3,466,402	1.40%
40,001 to 50,000	75	3,453,798	1.39%
50,001 to 100,000	112	7,807,378	3.14%
100,001 to 200,000	72	9,799,846	3.94%
200,001 to 400,000	55	16,791,323	6.76%
400,001 to 600,000	22	10,984,038	4.42%
600,001 to 800,000	12	8,604,175	3.46%
800,001 to 1,000,000	12	10,679,854	4.30%
1,000,001 or more (please set levels according to actual needs)	25	103,039,454	41.46%
Total	64,670	248,550,313	100.00%

(D) List of major shareholders

March 26, 2023

Name of major shareholder	Shares	Shareholding(shares)	Shareholding (%)
United Microelectronics Corporation		34,240,213	13.77%
Fubon Life Insurance Co., Ltd.		8,169,000	3.29%
New Labor Pension Fund		6,366,500	2.56%
Allianz Global Investors Taiwan Technology Fund		5,356,000	2.15%
JP Morgan Chase Bank N.A. Taipei Branch in custody for JP Morgan Funds		4,768,000	1.92%
Public Service Pension Fund Supervisory Board		4,309,000	1.73%
JP Morgan SAR Greater China Fund		4,278,000	1.72%
AIA International Limited-internal-Relative Asia Equity XP		4,014,000	1.61%
Allianz Global Investors Taiwan Intelligence Trends Fund		3,000,000	1.21%
ABS Direct Equity Fund LLC - fund manager ASIA SERIES 3		2,974,000	1.20%

(E) Price per share, net worth, surplus, dividends and relation information of the last two years

Unit: Unit for weighted average number of shares is Share, the others are all in NTD

Item		Year	2021	2022	2023 (As of March 31)
Price per stock	Highest		255.50	331.50	218.00
	Lowest		48.30	118.50	141.50
	Average		132.47	208.38	189.02
Net asset value for each share	Before distribution		31.54	34.60	38.45
	After distribution		28.24	(Note1)	-
Earnings per share	Number of weighted average shares		248,550,313	248,550,313	248,550,313
	Earnings per share		4.65	9.88	2.02
Dividend per share	Cash dividend		3.3	(Note1)	-
	Stock grants	-	-	-	-
		-	-	-	-
	Accumulated dividends in arrears		-	-	-
Return on investment analysis	Price-earning ratio(Note2)		28.49	21.09	-
	Price to dividend ratio(Note2)		40.14	(Note1)	-
	Cash dividend yield (%) (Note2)		2.49	(Note1)	-

Note 1: Finalized upon resolution of Shareholders' Meeting in 2023.

Note 2: Calculating formulas:

(1) Price-earning ratio = Average annual closing price per share / Earnings per share

(2) Price to dividend ratio = Average annual closing price per share / Cash dividend per share

(3) Cash dividend yield = Cash dividend per share / Average annual closing price per share

(F) Company dividend policy and execution

1.Dividend policy

Faraday shall set aside no less than 10% as employee remuneration and no more than 2% as director's remuneration based on the current year's profit. However, if Faraday still has accumulated losses, it should make up for it. Employee remuneration may be in cash or stock,

and the recipients of cash or stock may include employees of controlled or subordinate companies that meet certain conditions.

The profit status of the current year referred to in Paragraph 1 refers to the profit before tax deducting the distribution of employee remuneration and directors' remuneration in the current year.

The distribution of employee remuneration and directors' remuneration shall be made by the board of directors with the attendance of more than two-thirds of the directors and the approval of more than half of the directors present, and shall be reported to the Shareholders' Meeting.

If Faraday's annual accounts are in surplus, they will be distributed in the following order:

- (1) Withholding taxes.
- (2) Breakeven.
- (3) Deposit 10% of which as statutory surplus reserve.
- (4) Set or revolve special surplus reserves by law.
- (5) The accumulated undistributed surplus in the previous period would act as shareholder bonus.

The shareholder bonus will be distributed by the Shareholders' Meeting, except for the reserved part that will be distributed in subsequent years.

Faraday's policy of dividend distribution shall be based on the current and future investment environment, capital requirements, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balancing dividends and long-term financial planning of Faraday. Each year, the Board of Directors would draft a distribution proposal and submit which to the Shareholders' Meeting. As the industry of Faraday is currently expanding, Faraday is planning for expansion and increasing capital in the future. The dividend distribution amount of Faraday shall not be less than 50% of the after-tax profit of the current year. The proportion of cash dividends shall not be less than ten percent (10%) of the total dividends.

2. Distribution proposal of dividends in this Shareholders' Meeting

Faraday's 2022 earnings distribution proposal was approved by the 10th meeting of the 11th Board of Directors on February 21, 2023. The proposal will be submitted to the Shareholders' Meeting for discussion, and will formulate a cash dividend of NTD \$1,242,751,565 for a dividend of NTD \$5 per share.

(G) Effect of proposed stock grant distribution on Faraday's operating performance and earnings per share: Not applicable.

(H) Compensation of employees, Directors and Supervisors

- a. The percentage or scope of compensation for employees, Directors and Supervisors stated in Faraday's Articles of Incorporation: According to Faraday's Articles of Incorporation, after

deducting the accumulated loss from the surplus, Faraday shall set aside not more than 2% of the remained profit to Directors as remuneration and not less than 10% to employees as compensation. Dividends may issue to employees of subordinate companies that meet certain conditions.

- b. The accounting method for difference in actual distributed amounts and the estimated remuneration of employees, Directors and Supervisors, the number of shares compensation:
 - (1) Faraday's Board of Directors distribute the compensation for employees and Directors based on the proposed Article amendments to the regulations, law and regulations, industry level.
 - (2) Basis for calculating share compensation for employees: Not applicable.
 - (3) Accounting treatment for the difference in the actual distributed amount and the estimated amount: If there is any difference between the actual distributed amount and the estimated amount, it will be recorded as a change in accounting estimates.
- c. Approval of remuneration distribution by the Board of Directors:
 - (1) Proposed to distribute employees with cash remuneration of NTD \$367,485,800 and Directors with cash remuneration of NTD \$6,332,985 which are of no significant difference from the estimated value of original accounts.
 - (2) Proportion of employee remuneration distributed in stock to the total amount of net profit after tax and employee compensation in current parent company financial statements: Not applicable.
- d. The actual distribution of compensation for employees, Directors and Supervisors in the previous year (including the number of shares distributed, amount and share price), the difference between the recognition amount, reasons of which and processing of such situations: From the accumulated surplus in 2021, a total of NTD \$173,360,833 was distributed as employee's cash compensation, and a total of NTD \$1,928,699 was distributed as Director's cash compensation, the amounts equal the estimated value.

(I) Buyback of common stock: None.

2. Issuance of corporate bonds: None.

3. Preferred shares: None.

4. Overseas depositary shares: None.

5. Status of employee stock option plan: None.

6. Status of new restricted employee shares: None.

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

8. Funding plans and implementation

- (I) Previously issued or privately held securities have not been completed or have been completed in the last three years that the project benefits have not yet been revealed: None.
- (II) Execution: Not applicable.

V. Operations Overview

1. Business scope

(1) Business Scope

i. Main business content

- (A) Component database for special application integrated circuit design
- (B) Electronic design, automatic software tools for special application integrated circuit design
- (C) Professional services including the design, manufacturing and testing of special application integrated circuits and their components
- (D) Design and license services of silicon intellectual property

ii. Proportion of each product

Unit: NTD thousand

Type of main products	2022	
	Revenue	Proportion
ASIC and wafer products	10,002,490	76.56%
Non-recurring engineering	1,719,859	13.16%
Intellectual property components and license fee	1,342,806	10.28%
Total	13,065,155	100.00%

iii. Main Products and Services

- (A) Non-Recurring Engineering (NRE): Entrusted by customers to develop and design ASIC products. Faraday provides databases of circuit design component and various silicon intellectual property components (SIP) for the design of products, produces circuit diagram for the mask of products, and entrusts OEMs for light mask production, wafer production, cutting and product packaging. Faraday's engineering personnel also conducts product testing and quality control before handing over production samples to customers.
- (B) ASIC products: Conduct mass production of ASIC products under customer request. After completing the client's requested design and the sample product has been accepted by the customer, Faraday conducts mass production for customers. The final ASIC products are delivered in wafers or packaged and tested ICs to clients.
- (C) Silicon Intellectual Property (SIP): SIP is an electronic circuit component with unique functions and reusable capability. In the increasingly sophisticated ASIC design areas, SIP provides customers (mainly IC design house and system vendors) a convenient and fast solution. Faraday SIP can be authorized to be integrated by the customer or used as an optional component in ASIC design project.

iv. Planned Products and Services

- (A) Plan to develop 22 nm Embedded High Voltage (eHV) Process Memory Compiler.
- (B) Plan to develop 14 nm Process Memory Compiler.
- (C) Plan to develop 22 nm LPDDR3 and DDR3/4 Combo PHY.

(D) Plan to develop 14 nm LPDDR3/4 and DDR3/4 Combo PHY.

(E) Plan to develop 22 nm 10Gbps Serdes.

(2) Industry Overview

(i) Industry status and development

In recent years, Taiwan's wafer industry has been developing intensively. The division of the industry has become more specialized. Each production process are involved by many individual manufacturers. The vertical division of labor is clear and professional, making Taiwan's wafer industry structure more complete.

(ii) The relationship between the upstream, midstream and downstream of the industry

Job distribution of each stream in Taiwan's IC industry

Structure	Steps	Manufacturing process
Upstream	Design services and design	Logic design, circuit design, graphic design
Midstream	Production of masks and wafers	Oxidation, mask standardization, etching, impurity diffusion, ion implantation, chemical vapor deposition, metal sputtering, chip inspection
Downstream	Packaging and testing	Cutting, placement, wire bonding, molding, testing

(iii) Development trend of the products

Chip product is on system level integration, which is SoC (System-on-chip). SoC integrates arithmetic unit IP, memory unit IP, and other digital and analog IP. SoC products can be divided into two types - Application Specific Standard Product (ASSP) and Application Specific Integrated Circuit (ASIC).

(iv) Competitive Status

There are two major trends for ASIC design service company, first is that it can satisfy the needs for massive computation and broadband communication of high performance cloud computing and advanced artificial intelligence server which drives continuous evolving in advanced process. Global Unichip Corp. from the country provides relevant design service. The second major trend is that it can provide independent semiconductor intellectual property that focuses on design service of system platform to meet the needs of niche applications. Faraday Technology is the later that provides independent development semiconductor intellectual property and physical chip verification platform. After accumulated years of experiences, it stored up a large number of Know-How on design service for specific applications to provide enhanced service as well as customer engagement.

(3) Technology and R&D Overview

(i) Research and development expenses

Unit: NTD thousand

Item \ Year	2022	2023 (As of March 31)
Research and development expenses (A)	2,422,237	577,338
Operating revenue (B)	13,065,155	3,262,264
(A)/(B)	18.54%	17.70%

(ii) Successfully developed technologies or products

(A) Launched SoCreative!™ the 6th generation 14 nm FinFET SoC verification platform.

(B) Launched Gigabit Ethernet PHY Silicon IP, and has finished the silicon verification in UMC 28 HPC Plus process.

(C) Unveiled SONOS eFlash Platform with Infineon on UMC 40uLP, including newly-developed eFlash sub-system IP and complete eFlash testing solution.

(D) The supported silicon IP of Samsung 14 nm LPP process has been marketed on SAFE™ platform; the IP combo package includes LPDDR4/4X PHY, MIPI D-PHY, V-by-One, FPD-link, LVDS I/O, ONFI I/O, and Memory Compiler.

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

Short-term: Expand the penetration of ASIC product with existing customers on the basis of massive production of ASIC and recurring income from IP authorization, and also expand to system company that requires IIoT and AIoT ASIC applications. Undertaking new ASIC projects that have high mass production potential, niche market appeal, and a long product life cycle.

Long-term: Continuously accumulating the Company's own silicon intellectual property development capabilities, advance the component database to the FinFET process, enhancing the IP sub-system at the system level. With this as an important foundation, Faraday is strengthening its capabilities in software and hardware integration and developing SoC system platforms to enable existing customers to progress from 40/28/22 nm products to FinFET process technology. By integrating IP sales with ASIC, Faraday aims to provide customers with more valuable ASIC services and products

2. Overview of the market and production and sales status

(1) Market analysis

i. Main product (service) sales (provided) regions

Faraday provides ASIC services and IP licensing service products of Silicon Intellectual Property, and is the first ASIC provider in Asia business. Sales area covers Taiwan, mainland

China, Asia Pacific, Europe, United States, and etc. The market in each region has grown significantly in recent years.

ii. Market share

Compared to other competitors, Faraday Technology has very high market share on niche ASIC products of 28/40/55/90 nm.

iii. Future market supply and demand situation and growth prospects of the market

(A) NRE

40 nm/28 nm/22 nm/14 nm new projects and the proportion of SoC products are increasing year by year. The IP with high technology complexity and the adopted IP have increased to promote the NRE growth. In addition, in response to the complexity of large-scale system chips in the FinFET process, Faraday has launched chip physical design services for the FinFET process in many foundries. Customer appoints the foundry for specific process and production, and by its own R&D resource allocation, Faraday assists in completing the specific design stage to accelerate the time to market.

(B) ASIC

With the booming ASIC market and trends of artificial intelligence, IoT, and Industry 4.0, the system factory has boosted the needs for customized chips. Based on its IP and system platform design services and various application solutions, Faraday has successfully brought its ASIC design projects into mass production, driving continuous growth in its ASIC business.

(C) Silicon IP components

According to reports of the market survey organization, Dataquest, the average annual compound growth rate of IP in recent years has maintained above double-digits levels, which is higher than the growth rate of the global semiconductor market, reflecting the importance of SIP in the design and development of ICs.

The IP development strategy of Faraday and ASIC sales complement each other. It promotes successful massive production of ASIC, as well as expanding sales for wafer foundry and IC design company.

iv. Competitive niche

(A) Independently developed foundational IP and functional IP

Technology implementation is the core philosophy that Faraday has always upheld. It enabled Faraday to provide customers with timely and accurate design services, integrate components into ASIC projects, and continue to develop new components based on this foundation in more advanced processes.

Faraday continues to develop standard component libraries for 28/22/14nm process

technologies, as well as for more advanced processes.

In addition, Faraday also spares no effort in the component development of advanced products, such as reduced instruction set central processing unit, digital signal processor, mixed signal product, high-speed communication interface, embedded memory, and system-on-chip.

Faraday is the world's third largest complete process component library developer. With the process evolution, Faraday continues to develop standard component libraries, and has accumulated many high-efficiency IP and excellent R&D talents through complete development experiences.

(B) Complete component design and verification process

In ASIC design service industry, providing a fast and correct design and verification process is one of the must requirements. The component database and the digital/analog silicon IPs developed by Faraday Technology have been processed through a complete silicon verification process, and only the component database that has been verified to be functionally correct will be provided to customers. Therefore, Faraday provides customers with fast and accurate ASIC design services to enable customers to achieve the goal of launching products within the shortest time.

(C) Provide system-level design solutions

With the increasingly diverse electric products, to shorten the lead time of each single product and fast time-to-market is the basic requirement for maintaining competitiveness. Faraday's abundant silicon IP database, IP sub-system, SoC development platform are the best resources for quickly implementing system-level chip design. Faraday assists customers in completing the chip design within the shortest time, and effectively improving the first-cut-work probability, and ensure that the system side can be quickly integrated to help customers seize the best product launch timing.

(D) Complete research and development team

Since its establishment, Faraday has been guided by the development of its own technology, and has owned many experienced ASIC design and development talents, including mixed-signal/analog IP R&D, SoC design integration and back-end design, and chip production verification. The level of the research and development team of Faraday is on par with advanced international manufacturers to provide comprehensive design resources and services for global IC design industry and system manufacturers.

(E) Position neutral

Faraday's main business is ASIC design services and SIP silicon intellectual property authorization, so it does not produce its own brand IC products. We assist customers to formulate specifications, develop, manufacture, package, test and finally provide IC products to customers, adopt an absolutely neutral industrial position, and fully protect customers' business-related secrets, so customers can use the design services provided by Faraday with confidence resource.

(F) Overseas research and development center

Faraday has established overseas research and development center in China, America, India, and Vietnam to recruit more research and development talents and strengthen development capacity.

(G) Operating mode of recurring revenue

The recurring revenue from ASIC massive production and SIP authorization has become the majority of the operating income. It has the following characteristic: no spending on resources, continuity of no spending on resources and long product life cycle, revenue stability from wide and niche customer application, no need to collect NRE and no inventory risk.

v. Advantages, disadvantages and counter measures of Faraday's future developments

(A) Advantages

ASIC profession has gradually gained recognition from the market and its potential customers (IDM, system manufacturers)

In the past, IDM manufacturers or large-scale system factories designed integrated circuits based on their own resources and talents. However, with the trend of company structure simplification, asset thinning and specialization, as well as how the ASIC professional ability is gradually gaining recognition from the market, these vendors begin to focus more on their own niche or product development. The design and manufacture of some major IC components have been outsourced to ASIC design services companies for quick development and achievement of the market niche.

- Complete R&D team and experienced ASIC design and development

Since Faraday established, Faraday has long considered the research and development of its own technology as its main goal of operation. Throughout the years, Faraday has accumulated outstanding R&D talents in various fields of ASIC, thereby holding rich and professional development experience. Therefore, based on the technology-leading R&D team, Faraday has a high component self-manufacturing rate and a complete component verification process to provide customers with complete and high-quality design services.

- System level IC design and service

In order to reduce risks, accelerate design integration and enable fast introduction to markets, system-level chip design and service capabilities are undoubtedly the mainstream of the current market, and the core component database plays a pivotal role in reducing design complexity and improving timeliness. The rich SIP databases, IP sub-systems and SoC development platforms provided by Faraday are the best resources for quickly implementing system-level chip design, thereby helping customers to complete chip design in the shortest time,

and effectively improve the first-cut-work rate, ensuring that its system can be quickly integrated to help customers seize the best time for launching the products.

- Upstream and downstream industries of the semiconductor industry are closely related to one another, bringing clustering effect that enable speedy provision of services.

The semiconductor upstream and downstream industries are roughly divided into IC design industry, wafer foundries, cutting and packaging factories and test factories.

However, due to the development of a unique vertical division of the industry in Taiwan, with companies mainly established at Hsinchu Science Park, Faraday has a well-established and systematic supply chain management strategy, close and in-depth cooperation with upstream and downstream companies, which help Faraday to provide rapid and quality service.

(B) Disadvantages and counter measures

- Rise of professional human resource costs
Since the resources of ASIC design services come from a strong R&D team, high-tech talent is crucial for Faraday to operate successfully. In recent years, due to the booming development of the IC industry, and the cost of employee dividends, the professional human resource cost has increased, and Faraday has to pay a high labor cost for the cohesiveness of professional talents. The counter measures are as follows:
 - (a) Improve proportion of high value-added products, such as the core components required for systematic single-chip, technical capabilities and experience at system level.
 - (b) Develop a database based on more advanced processes, enhance core technology competitiveness and advantages, and strive for cooperation opportunities with more customers.
 - (c) Expand the layout of overseas R&D bases and enrich the human resources of R&D and engineering units.
- With ASIC design services becoming the trend of the market, more competitors enter the market
As IC design becomes more and more complex, especially when it comes to the design of system-on-a-chip and embedded memory, ASIC design services and IP licensing are becoming an indispensable business. Coupled with changes in industry supply and demand, the potential customer's demand for

customized design from IDM/system vendors will undoubtedly attract more competitors to the market. Faraday's countermeasures are to develop higher-level design techniques and strengthen system-level services, providing customers with fast and accurate services. Meanwhile, Faraday will strive to develop niche applications, to adjust product/customer composition, to increase added value, and to develop international markets.

- Semiconductor production capacity supply and demand issues
ASIC mass production is based on the order-to-order production model, and customer orders are long-term orders that are less affected by the economic climate. Based on this order, Faraday Technology can plan wafer manufacturing and packaging and testing capacity as soon as possible; when production capacity is tight, real-time dynamic adjustments are required to satisfy customer needs.

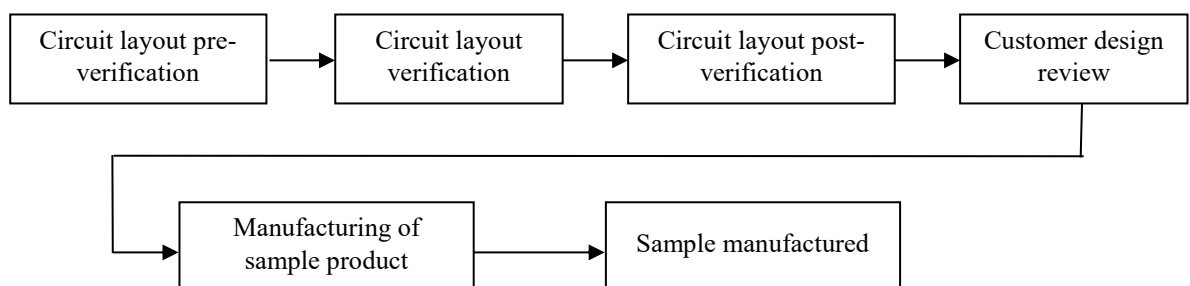
(2) Important use of main products and production process

(i). Important use of main products

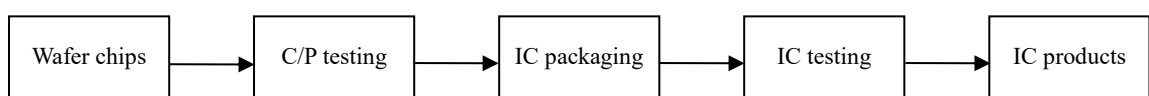
Faraday Technology mainly provides the required technical services during the design and production of ASIC products. ASIC products can be used for variety purposes, such as: network communications, multimedia, computer storage and peripherals, consumer electronics, artificial intelligence, products of IoT (Internet of things), and other application fields.

(ii). Production process of main products

The first phase is non-recurring engineering (NRE) based on client commissions, and production of sample products for shipments. The production process of which is as follows:



The second phase is to enter mass production of products verified by the customer. The production process of which is as follows:



(3) Supply of main raw materials

The main raw materials of Faraday are wafers. The main supplier is United Microelectronics

Corporation, a professional wafer foundry. Due to the long-term strategic alliance cooperation, the supply of raw materials is stable.

(4) Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

(i). Major Suppliers with over 10% total purchases of the last two fiscal years

Unit: NT\$ thousands

	2021				2022				2023(As of March 31)			
Items	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	UMC	2,056,531	69.84%	Major shareholder holding more than 10% of shares	UMC	3,913,484	66.30%	Major shareholder holding more than 10% of shares	UMC	389,987	51.02%	Major shareholder holding more than 10% of shares
2	Supplier B	605,828	20.57%	Other Related Party	Supplier B	1,490,099	25.24%	Other Related Party	Supplier B	293,539	38.40%	Other Related Party
	Others	282,311	9.59%		Others	499,280	8.46%		Others	80,903	10.58%	
	Net Purchase	2,944,670	100.00%		Net Purchase	5,902,863	100.00%		Net Purchase	764,429	100.00%	

Note: The major supplier is foundry. The raw materials purchased from foundry are wafers. Faraday maintains good cooperative relations with the third-party manufacturers, and there is no shortage or interruption for the material supply.

(ii). Major Customers with over 10% net sales of the last two fiscal years

Unit: NT\$ thousands

	2021				2022				2023(As of March 31)			
Items	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	UMC	582,441	7.20%	Major shareholder holding more than 10% of shares	UMC	732,338	5.61%	Major shareholder holding more than 10% of shares	UMC	152,059	4.66%	Major shareholder holding more than 10% of shares
2									Customer A	361,106	11.07%	NA
	Others	7,502,760	92.80%		Others	12,332,817	94.39%		Others	2,749,099	84.27%	
	Net Sales	8,085,201	100.00%		Net Sales	13,065,155	100.00%		Net Sales	3,262,264	100.00%	

Note: Changes in sales amount and proportions are mainly due to changes in customer demand for products.

(5) Production Quantities and Value over the Past Two Year

Unit: NT\$ thousands

Production QTY and Value		2021		2022	
		Quantity	Value	Quantity	Value
Major Products					
ASIC Products (thousands chip)		142,703	3,026,946	165,156	4,651,894
Wafer Products (wafer)		14,391	530,471	19,417	1,172,885
NRE		114	541,160	109	686,975
Total			4,098,578		6,511,755

(6) Sales Quantities and Value over the Past Two Year

Unit: NT\$ thousands

Unit: NT\$ thousands

Sales QTY and Amount	Year	2021				2022			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Main Products									
ASIC Products (thousands chip)		34,138	810,508	110,498	3,960,088	40,091	1,315,394	157,381	6,437,630
Wafer Products (wafer)		7,211	310,839	9,658	532,089	3,532	238,149	25,039	2,011,317
NRE		26	169,882	109	1,239,714	21	156,584	115	1,563,275
Intellectual Property Components and License Fee		70	718,682	37	343,399	70	872,815	56	469,991
Total			2,009,911		6,075,290		2,582,942		10,482,213
Proportion of domestic and export sales(%)			24.86%		75.14%		19.77%		80.23%

3.Employee Profile

Year		2021	2022	2023 (Until to March 31)
Number of Employees (Note)	Engineer/Administrative	539	544	542
	Management	53	53	52
	Total	592	597	594
Average age		39.6	39.9	40.1
Average years of service		7.6	8.1	8.3
Education (%)	Ph. D.	2.03%	2.01%	2.02%
	Masters	67.90%	67.17%	67.17%
	Bachelor's Degree	29.73%	30.49%	30.47%
	Senior High School	0.34%	0.33%	0.34%
	Below Senior High School	0%	0%	0%

Note: The number of employees is mainly based on Faraday's headquarters in Taiwan.

4. Environmental Protection Expenditure Information

Disbursements for environmental protection: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the

future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5. Labor Relations

- (1) Faraday's employee welfare measures, further education, training, retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures:

As the world's leading high-tech R&D company, talents are not only Faraday's assets, but also the foundation of Faraday's sustainable development. Faraday Technology's emphasis on talents is fully reflected in the workplace environment and conditions provided by Faraday. Faraday is committed to ensuring a safe and healthy working environment, respecting employees, assisting employees in work-life balance, and providing good salary and benefits. Faraday has been continuously selected as a constituent stock of the "Taiwan High Salary 100 Index" by the Taiwan Stock Exchange. In addition to attracting and retaining talents with high-level salaries and benefits, it also pays special attention to the physical and mental health and personal growth of colleagues to expect substantial development for employees in Faraday. In addition, harmonious labor-management relations also help Faraday's long-term stable development. The various internal communication mechanisms of Faraday Technology allow colleagues to fully express their opinions, while relevant authority and responsibility units would quickly respond to their opinions, constructing a good and unimpeded communication culture, and a lively and enlightened working atmosphere.

A. Talent Development and Training

Faraday has always spared no effort to cultivate talents and provide comprehensive assistance in both work and life. At the same time, based on individual professionals, there are long-term cultivation plans for on-the-job training and future career development in education and training. For instance:

- a. Newcomer Training: Faraday makes customized training plans for individuals according to job requirements and professional experience, through general education courses, e-course, OJT training, quality document reading, and instructor system to help newcomers quickly adapt to the organizational culture and internal processes. In addition, Faraday assigns seniors to guide each newcomer and help them familiarize with the environment and work content. The mentor and supervisor are required to arrange the newcomer for training and meetings with supervisors of all levels and the human resources department within three months of registration in accordance with the Newcomer Guide. The learning and adapting status of the newcomer should be recorded. In addition, each newcomer receives a customized "Newcomer Manual" on registration. The supervisor sets up professional training plan in accordance with the newcomers' duties and conducts the training within the first 6 months of registration. Relevant courses include: company introduction, work safety training, work process, and cross-departmental professional training
- b. Professional Training: Every year, Faraday plans a variety of inter-departmental professional training, and often holds technical exchange meetings, in which employees can learn various professional and technical contents. Each department also has its own database and regular department meetings. Employees can share and exchange work experience and professional knowledge with their supervisors and colleagues.

- c. Language Training: Faraday has set up a "Technical Document Center" to provide guidance on writing English technical documents, papers, and patents. Through language training and technical English document writing, employees gradually improve their language skills.
- d. Supervisor Training: Faraday arranges a series of management skills training for supervisors based on each person's duty. It also guides new supervisors to familiarize with Faraday's management rules and regulations, cultivates abilities and qualities necessary for supervisor, coaches on conducting professional interviews, effective selection, education and retention, leadership, communication and motivation, handling employee errors and conflicts. Faraday helps the supervisors to improve and develop management skills and leadership through professional training courses, senior supervisor coaching, reading clubs, etc.
- e. General Training: In addition to professional, language, and supervisor training, Faraday also conducts trainings for internal operating system, project system, management rules and regulations, technical document production, and fire-fighting training, etc.
- f. Domestic and Foreign Training: Faraday provides multiple training channels and encourages employees to participate in domestic and foreign training. Employees can participate in trainings and seminars at home and abroad based on their own expertise and job contents to enhance the technical level of individuals and Faraday.
- g. Future Career Development: Faraday is committed to the cultivation and inheritance of talents, in line with the talent growth and performance development system, formulates individual career development plans. The mentorship / coaching learning system (Mentor Program) support the consolidation of Faraday's competitiveness. The department head makes suitable talent development plans for individuals based on their functional core expertise, work performance and learning potential, in accordance with Faraday's and department's future development and direction. and through a complete and diverse training mechanism and work instruction. The employees are expected to fully exhibit their abilities and kept learning through the multiple trainings and resources Faraday provides.

B. Diversified Welfare and Subsidies

Faraday provides diversified welfare and subsidies, with detailed welfare planning and budgeting every year, such as domestic and foreign travel subsidies, birthday coupons, birth/wedding subsidies, funeral/celebration subsidies, coupon purchase, regular health checkup that is better than which required by laws and regulations, and perfect employee insurance. The insurance includes life insurance, accident insurance, medical insurance, cancer insurance and other family group insurance systems. The Welfare Committee also organizes diversified activities on a regular basis to help employees relax, maintain both physical and mental health, and relieve potential work pressure.

C. Considerate Services and Facilities

Faraday is one of the most beautiful companies in the Hsinchu Science Park, which provides a warm and cozy working environment for employees to focus on and enjoy

their work. We believe that a productive enterprise cannot run without healthy and happy employees. In addition to providing a safe and clean working environment for all colleagues, Faraday provides a LOHAS working environment, from the perspective of employees, and upholds the spirit of fusion of welfare, vitality and public welfare, and allows colleagues to work and relax through diversified activity designs to accumulate creativity and energy. Faraday offers multi-functional fitness center and sport field, stress relief lounge, art gallery, cozy cafe, roof garden, and free parking spaces for cars and scooters. We also run various clubs, and host outdoor concerts, executive service day, family day, Lohas lectures, etc., enriching the concept of work-life balance through a diverse range of activities. We also regularly host early win workplace experience activities for young students who are the children of colleagues, providing exclusive opportunities for the children of Faraday employees to explore the workplace, and also to learn about Faraday and the industry.

D. Employee Care

Faraday takes employees as our most important partner of business. In addition to being committed to building a LOHAS and healthy working environment, we also focus on employee care, and are devoted to creating a warm-hearted corporate culture of mutual assistance, to provide a working environment for employees to feel at ease.

- Employee care system: Faraday has established an employee care system and real-time online notification system. When an employee has a major unforeseen incident (such as the employee or a loved one being injured and needing hospitalization, or the death of a loved one), their supervisor, employees, and relevant work units are able to give care consolation and assistance right away.
- Condolences system: In order to strengthen the company's care for colleagues, the condolence fund mechanism was launched in 2022. For colleagues and their immediate family members who were hospitalized or died due to illness or accidents, the company provides emergency condolence funds, so that colleagues can feel the company's care and condolences to colleagues and their families.

E. Retirement System

Faraday Technology has formulated the "Labor Retirement Measures of Faraday Technology Co., Ltd." in accordance with the "Labor Standards Law" and the "Labor Pension Regulations". For employees who choose the new system of labor pension, Faraday pays 6% of the employee's monthly wages to the individual's labor pension account in accordance with the Labor Pension Regulations. If the employee meets the conditions of the "Old Labor Pension System" or the "New Labor Pension System with Old System of Seniority Retained", Faraday pays 2% of the employee's monthly wages to the Special Account of Labor Retirement Reserve Supervision Committee of Faraday Technology Co., Ltd at Bank of Taiwan. For employee who meets the retirement qualifications under the Labor Standards Law, the pension payment is based on the length of employment and the average monthly salary at the time of retirement, and two basis will be given for each employed year. However, for person who is employed for more than 15 years, a basis is given for each employed year, with a maximum of forty-five basis limitation.

- (2) Faraday's losses due to employer/employee disputes within the most recent year through the printing date of this annual report: None.
- (3) Estimated amount and corresponding measures for the loss of labor disputes at present

and in the future:

Faraday always values the employees' welfare, providing superior working environment, and emphasizes the communication with employees, so that the relationship between labor and management is harmonious. Therefore, Faraday has no major labor disputes from the most recent year up to the printing date of this annual report.

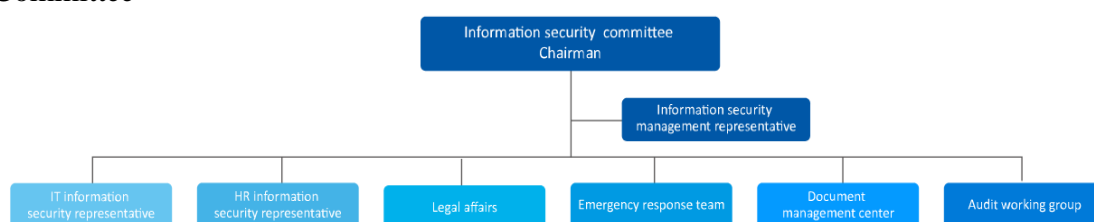
6. Information security risk management

(1) Information security risk management structure

A. Information Security Governance Organization

Faraday has set up an information security committee, with the general manager serving as the chairman of the committee, and setting up an executive director, together with the committee's various groups; cross-departmental integration of operational management units, management systems and core systems; from Faraday's operating structure, internal management processes, auditing and control, confidential information management, and etc., comprehensively promote information security management policies. Establish a team that can grasp information security risks in advance, implement information security maintenance and operation, and respond quickly. Establish and promote the establishment, implementation and continuous improvement of the information security management system, and report to the executive level the effectiveness of the implementation of the information security management system and matters to be improved.

B. Organizational structure, responsibilities, and operation of the Information Security Committee



Executive Director

- Have corporate governance and operational management thinking, cooperate with Faraday's development strategy, and measure the overall needs of information security and resource allocation.
- Three core responsibilities
 - (a) Integrate company resources
 - (b) Implement information security policy
 - (c) Make good use of external reinforcements

Committee In Charge

- Coordinate the formulation of information security policies, and be responsible for the planning, implementation, supervision and improvement of information security management.
- Covers three aspects of policy system, information security management, and information technology.
- In line with Faraday's growth strategy, first grasp operational risks, and then measure information security risks and needs to implement compliance with laws and regulations, global resource integration, risk management, detection and

protection, event notification, response to disaster mitigation, and continuous improvement.

Operation Mechanism

- Regular committee meetings
 - Held monthly to follow up on the Plan/Do/Check/Act (PDCA) management cycle and track the implementation progress and improve the plan.

Management review meeting

- Report to the general manager quarterly on the achievement of information security policies, core issues, and performance indicators.
- Report information security policies, annual plans, information security management results and related proposals to the board of directors every year.

Annual planning meeting

- Held in the fourth quarter to review the appropriateness and effectiveness of information security policies/objectives and related implementation operations.
 - (a) Formulate the annual review and revision proposal.
 - (b) Plan the next year's information security annual plan and budget.

C. Task Force of Information Security Committee

Group	Functional responsibility
Management Policy and Audit	Formulate information security policies and objectives, management norms and documents, promote international standard certification and audits, conduct regular internal audits and management reviews, business continuity plans (BCP), supply chain information security management, warehouse and engineering asset management/audits and improve tracking
Information Technology	System inventory, information security risk assessment and countermeasures, information security internal and external protection/control/backup/detection/weakness repair, intelligence incident analysis/early warning, information security incident notification/response/reply/improvement, implementation of international standard certification and audit
Personnel and Environmental Safety	Ensure the safety of personnel and the environment; implement personnel appointment management, information security education and training planning and publicity, information security awareness promotion, document management, physical environment security control, power/air conditioning/fire protection infrastructure
Global R&D Management	Global R&D information security needs and risk assessment, implementation of information security management, implementation of education/drills, incident response management, R&D resource scheduling, backup mechanism
Legal	Introduction of TIPS intellectual property management system, global legal compliance and compliance operations, contract management, legal support/litigation

(2) Information Security Policy and Specific Management Plan

A. Purpose of information security

Faraday is a leading manufacturer of ASIC design services and IP R&D and sales.

Ensuring information security is a commitment to customers, employees, suppliers, shareholders and government agencies. Faraday is committed to:

- Protect the interests of customers and partners, abide by laws and regulations, business ethics and trust.
- Maintain Faraday's R&D and operating results to ensure market competitiveness and sustainable operation.

B. Information Security Policy

- a. President clearly stipulates the "Information Security Policy", which promises to implement information security management and control, protect the operational secrets of both partners, reduce information security risks, consolidate intellectual property rights, and implement Faraday's sustainable operation.

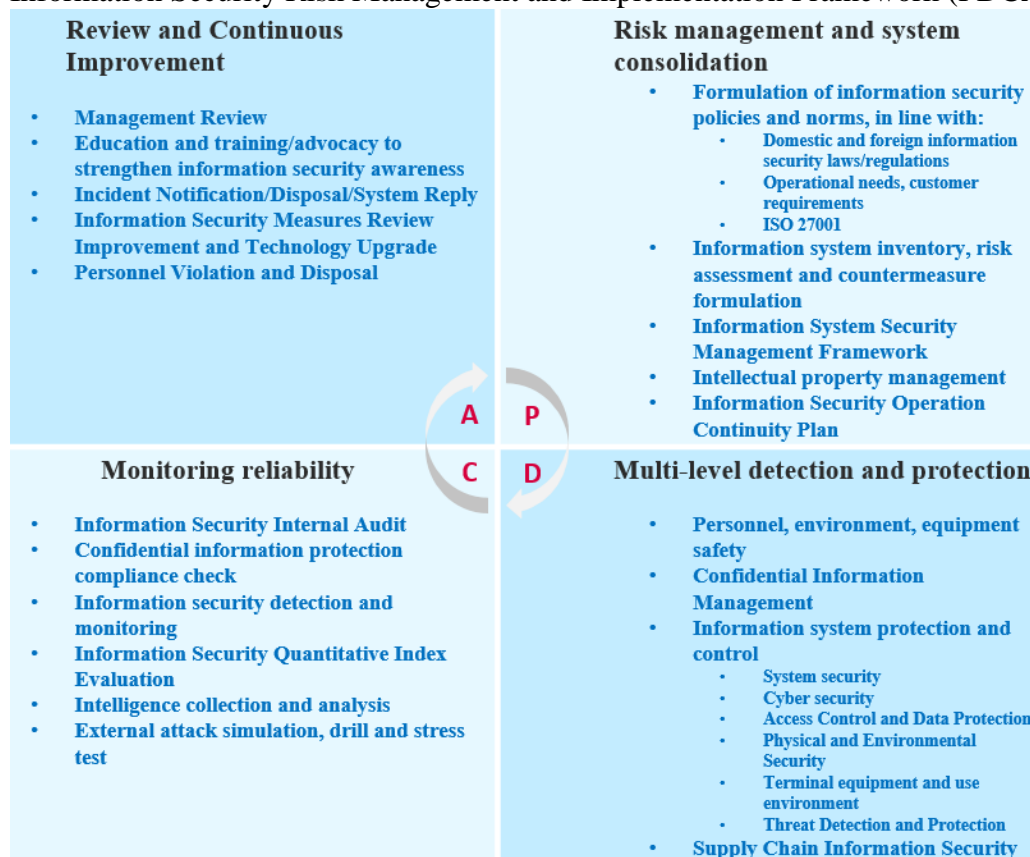


- b. Business confidentiality and customer privacy protection

Faraday attaches great importance to the security and privacy of all partners (including customers, suppliers, agents, employees, etc.) How to protect the confidential information of Faraday and partners with clear text norms, including business secrets, intellectual property rights and customer privacy to ensure that confidential information is fully protected; at the same time, referring to the ISO27001 standard, the "Faraday Information Security Manual" was formulated, covering organizational, technical and physical environment related controls, including information Security policy, information security organization, asset management, access control, information security compliance, human resource security, physical and environmental security management, information security system introduction and maintenance, network communication and operation management, information security exception notification, and business continuity Management, and etc.; and adopt the circular operation mode of PDCA (Plan, Do, Check, Action) to establish, implement, maintain and improve the Information Security Management System (ISMS). The information security management system maintains the confidentiality,

integrity and availability of information by applying the risk management process, properly manages risks, avoids internal and external threats, reduces information operation risks, and protects business confidentiality and partner privacy.

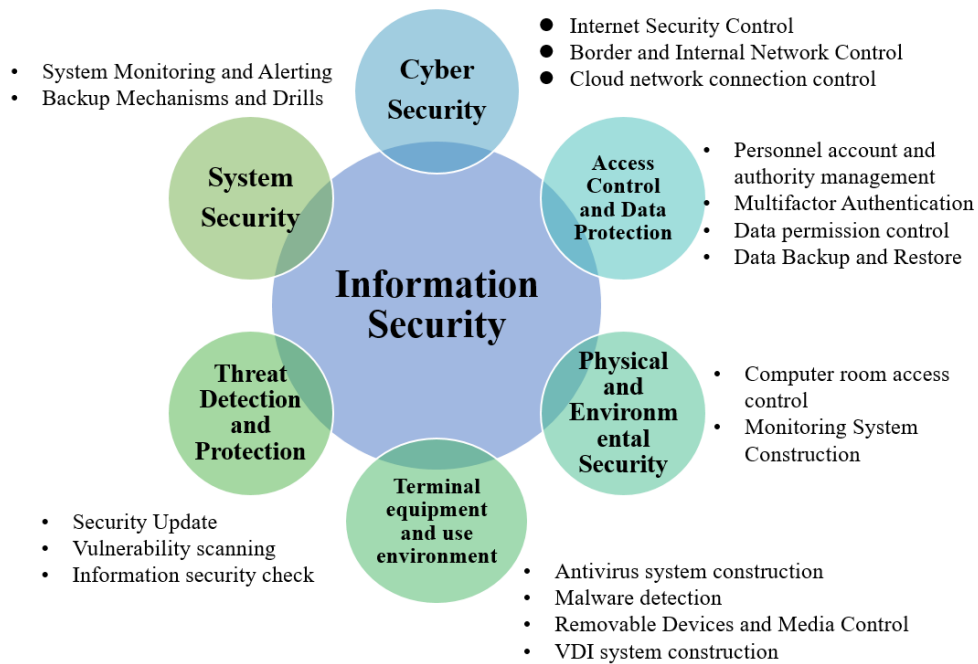
C. Information Security Risk Management and Implementation Framework (PDCA)



(3) Specific management plans and resources invested in information security management

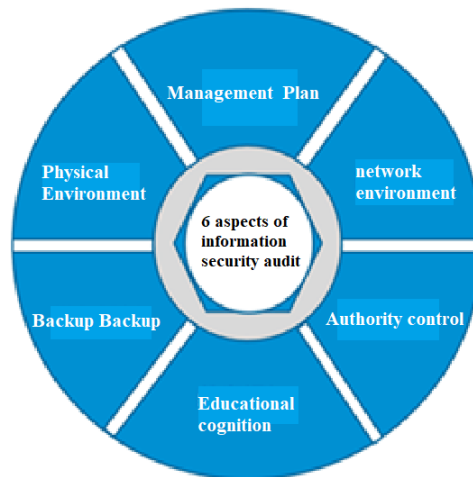
A. Information system protection and control

Faraday implements measures such as network security, access control and data protection, physical and environmental security, terminal equipment and use environment management, threat detection and protection, and system security to achieve information security management and prevent external hackers from invading and internal secrets leaked.



B. Information security internal audit

Faraday regularly conducts information security internal audits every year, which is conducted by the audit team according to the management policy, and conducts institutional processes and audits on the company's six aspects of management, network environment, authority control, education awareness, backup/redundancy, and physical environment. Execute record audits to ensure the confidentiality, integrity and effectiveness of information protection, and continuously implement sophisticated information security protection standards.



C. Education and training/publicity to strengthen information security awareness

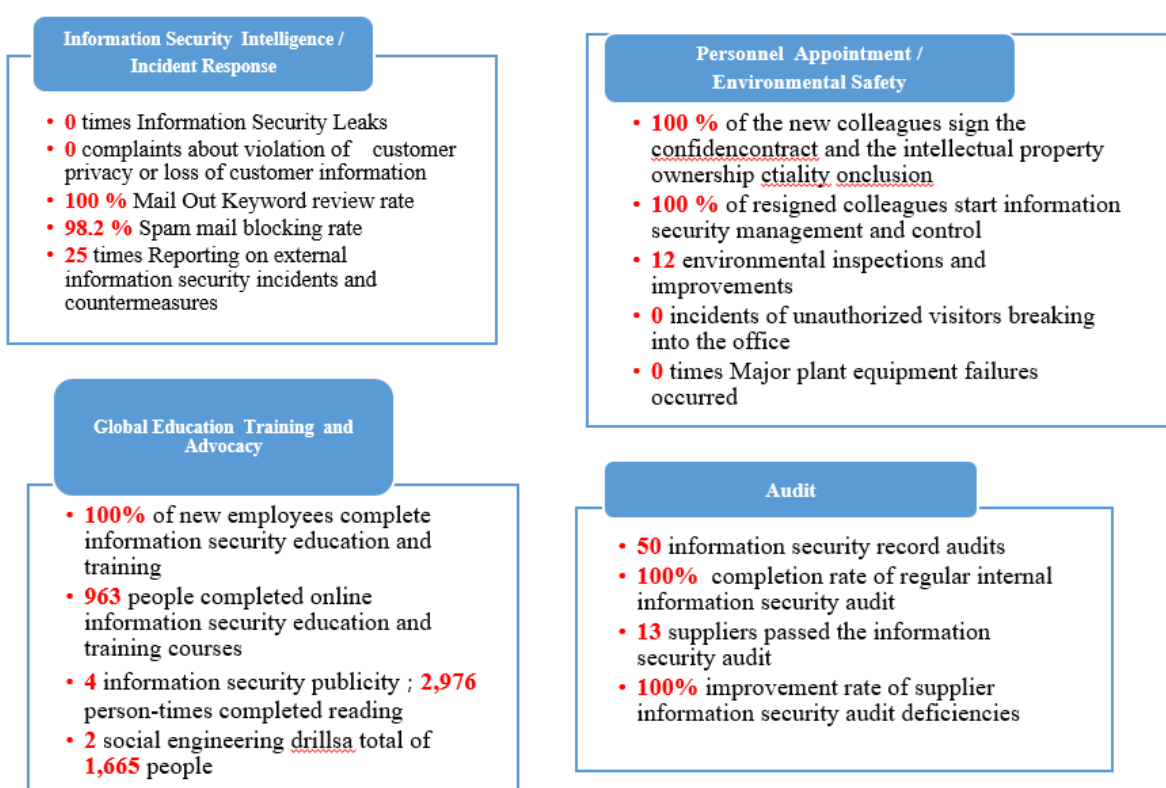
- New employee training:** New employees sign the professional ethics service agreement and receive information security-related education and training to understand the company's information security policies and requirements. The global new employee training rate is 100%.
- Information security publicity:** Regular information security policy and case publicity courses are held every year. In 2022, the total number of global information security publicity will be 2,976 person-times. And implement

information security education and training for all employees. In 2022, the total number of people who have completed the training globally will be 963.

- c. Information security social engineering drill: In order to enhance Faraday employees' awareness of social engineering email protection, 2 social engineering drills will be conducted for Faraday employees around the world in 2022, with a total of 1,665 person-times, and additional announcements will be made for those who fail the drill Mentoring and educational training to strengthen colleagues' awareness and cognition.

(4) Implementation results of information security

In 2022, Faraday passed the internal audit of information security with no major deficiencies, and there were no major information security incidents such as violations of information security regulations, customer information leakage, and fines, and no complaints were received due to violations of customer data protection or loss. Judicial proceedings are also zero.



(5) Information security risk and coping measures

A. Information security risk

Faraday has established full protection measures on network and computer related information security, but it does not guarantee the computer systems that control or maintain business operation, accounting, and other important business function can completely avoid any internet attack that could paralyze the system from the third party. These internet attacks have illegally invaded Faraday's internal network system and damaged the operation and goodwill. Faraday continues to review and evaluate the information security regulations and procedures to ensure its appropriateness and effectiveness; however, it does not guarantee Faraday would not be affected by the new risks and attacks that are constantly rolling out in this ever-changing information security threat. Internet attack might also try to steal Faraday's intellectual property,

trade secret, and other confidential information such as customers or other stakeholders' proprietary information and employees' personal information.

B. Coping measures

- Construct outside-in oriented information security protection measures to avoid external attacks such as malicious hacker, virus, and blackmail.
- Establish protection measures in accordance with confidential level.
- Establish employees' concept of information security through education training and regular announcement.
- Regularly evaluate the appropriateness and effectiveness of information security operation.
- Make project plan for continuous strengthening protection measures to reduce information security risk.
- Confidential agreement signed by employees.
- Sign confidential contract when providing sensitive information to the third party vendors or customers to comply with confidentiality.
- Regularly perform information security health checks on the overall information environment to prevent known vulnerabilities from being repaired as scheduled and being exploited by hackers to invade Faraday's internal environment.
- Regularly perform social engineering drill to enhance employees' sensitivity of phishing email to avoid hacker invasion by mail.

C. In the most recent year and as of the date of publication of the annual report, if the losses, possible impacts, and countermeasures due to major information security incidents cannot be reasonably estimated, the facts that cannot be reasonably estimated shall be explained:

Faraday's information department detected the occurrence of a cybersecurity incident on March 16, 2023 and immediately activated relevant defense mechanisms and recovery operations. At the same time, Faraday collaborated with external cybersecurity experts and have reported to the government law enforcement department, continuously strengthening cybersecurity management, and the impact on Faraday's operations is not significant. Faraday's information department has strengthened its cybersecurity defense mechanisms and conducted a comprehensive forensic analysis. The affected system services have been restored, and the company has also reviewed and strengthened its cybersecurity infrastructure, enhancing the cyber security protection level to protect data security and integrity.

7. Important Contracts

Contract Property	Affiliated Person	Start/Expiration date of Contract	Content	Restrictions
Technical Authorization	Company A	2022.1.5-2027.1.4	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company B	2022.2.11-2027.2.12	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company C	2022.3.1-2027.2.28	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company D	2022.3.30-2027.3.29	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company E	2022.4.22-2027.4.21	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company F	2022.6.20-2027.6.19	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company G	2022.9.6-2027.9.5	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company H	2022.9.29-2027.9.28	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company I	2022.10.3-2027.10.2	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company J	2022.10.14-2027.10.13	License Agreement	Both parties should fulfill confidentiality duty

VI. Financial Status

1. Condensed Balance Sheet and Consolidated Income Statement for the Last Five Years, the Names of the CPAs and Their Audit Opinions

(1) Condensed Balance Sheet and Comprehensive Income Statement (IFRSs)

A. Condensed Balance Sheet—Consolidate

Unit: NT\$ thousands

Year		2018	2019	2020	2021	2022	As of March 31, 2023
Items							
Current assets		4,393,723	5,022,750	4,702,256	7,392,154	9,754,232	9,730,397
Property, plant and equipment		575,858	576,808	539,322	517,870	514,367	513,061
Intangible assets		691,470	550,567	259,256	505,049	614,985	615,025
Other assets		1,153,668	1,551,903	2,698,322	3,621,432	2,629,221	3,063,977
Total assets		6,814,719	7,702,028	8,199,156	12,036,505	13,512,805	13,922,460
Current liabilities	Before distribution	1,766,178	2,079,109	1,614,085	3,505,683	4,155,877	3,672,422
	After distribution	1,965,018	2,352,514	1,862,635	4,325,899	(Note1)	—
Non-current liabilities		237,180	360,179	244,077	375,523	388,331	336,229
Total liabilities	Before distribution	2,003,358	2,439,288	1,858,162	3,881,206	4,544,208	4,008,651
	After distribution	2,202,198	2,712,693	2,106,712	4,701,422	(Note1)	—
Equity attributable to shareholders of the parent company		4,796,379	5,203,716	6,293,937	7,839,972	8,599,186	9,556,492
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		626,596	724,895	724,574	705,700	705,700	705,700
Retained earnings	Before distribution	2,196,490	2,363,027	2,371,011	3,278,832	4,929,738	5,431,642
	After distribution	1,997,650	2,089,622	2,122,461	2,458,616	(Note1)	—
Other equity		(512,210)	(369,709)	712,849	1,369,937	478,245	933,647
Treasury stock		—	—	—	—	—	—
Non-controlling interest		14,982	59,024	47,057	315,327	369,411	357,317
Total equity	Before distribution	4,811,361	5,262,740	6,340,994	8,155,299	8,968,597	9,913,809
	After distribution	4,612,521	4,989,335	6,092,444	7,335,083	(Note1)	—

Note1: Earnings Distribution of 2022 has not been approved by the Shareholders' Meeting.

Note2: The above financial data of 2018 to 2022 were audited by CPAs; Financial data of 2023Q1 was reviewed by CPAs.

B. Condensed Comprehensive Income Statement—Consolidated

Unit: NT\$ thousands

Year Items	2018	2019	2020	2021	2022	As of March 31,2023
Operating revenue	4,904,658	5,306,351	5,495,307	8,085,201	13,065,155	3,262,264
Gross profit	2,604,877	2,799,542	2,599,626	4,089,929	6,375,409	1,458,450
Operating profit/loss	283,008	398,300	149,112	1,402,056	2,921,414	650,229
Non-operating income and expenses	33,001	18,555	164,123	100,123	136,058	(10,451)
Income before tax	316,009	416,855	313,235	1,502,179	3,057,472	639,778
Net income from continuing operations	261,151	336,245	255,997	1,290,048	2,510,468	477,786
Profit/Loss from discontinued operations	—	—	—	—	—	—
Net income	261,151	336,245	255,997	1,290,048	2,510,468	477,786
Other current comprehensive income	(164,958)	159,498	1,095,393	658,253	(870,074)	456,587
Total current comprehensive income	96,193	495,743	1,351,390	1,948,301	1,640,394	934,373
Net income attributable to stockholders of the parent	263,228	347,877	268,446	1,155,930	2,454,597	501,904
Net income attributable to non-controlling interests	(2,077)	(11,632)	(12,449)	134,118	55,871	(24,118)
Total comprehensive income attributable to stockholders of the parent	98,270	507,878	1,363,947	1,813,459	1,579,430	957,306
Total comprehensive income attributable to non-controlling interests	(2,077)	(12,135)	(12,557)	134,842	60,964	(22,933)
Earnings per share	1.06	1.40	1.08	4.65	9.88	2.02

Note : The above financial data of 2018 to 2022 were audited by CPAs ; Financial data of 2023Q1 was reviewed by CPAs.

C. Condensed Balance Sheet—Parent Company Only

Unit: NT\$ thousands

Year		2018	2019	2020	2021	2022
Items						
Current assets		2,830,492	3,219,878	3,010,644	4,420,122	6,609,037
Property, plant and equipment		556,836	561,903	521,190	494,527	476,181
Intangible assets		682,681	518,209	233,937	441,312	569,762
Other assets		2,427,987	2,946,760	3,968,630	5,318,126	4,186,092
Total assets		6,497,996	7,246,750	7,734,401	10,674,087	11,841,072
Current liabilities	Before distribution	1,471,934	1,719,831	1,215,528	2,468,405	2,888,349
	After distribution	1,670,774	1,993,236	1,464,078	3,288,621	(Note1)
Non-current liabilities		229,683	323,203	224,936	365,710	353,537
Total liabilities	Before distribution	1,701,617	2,043,034	1,440,464	2,834,115	3,241,886
	After distribution	1,900,457	2,316,439	1,689,014	3,654,331	(Note1)
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		626,596	724,895	724,574	705,700	705,700
Retained earnings	Before distribution	2,196,490	2,363,027	2,371,011	3,278,832	4,929,738
	After distribution	1,997,650	2,089,622	2,122,461	2,458,616	(Note1)
Other equity		(512,210)	(369,709)	712,849	1,369,937	478,245
Treasury stock		—	—	—	—	—
Total equity	Before distribution	4,796,379	5,203,716	6,293,937	7,839,972	8,599,186
	After distribution	4,597,539	4,930,311	6,045,387	7,019,756	(Note1)

Note1 : Earnings distribution of 2022 has not been approved by the Shareholders' Meeting.

Note2 : The above financial data of 2018 to 2022 were audited by CPAs.

D. Condensed Comprehensive Income Statement— Parent Company Only

Unit: NT\$ thousands

Year Items	2018	2019	2020	2021	2022
Operating	4,323,744	4,646,362	4,925,300	6,710,159	11,466,455
Gross profit	2,042,756	2,235,255	2,110,720	2,834,633	5,125,227
Operating profit	100,531	347,816	204,637	722,762	2,433,895
Non-operating income and expenses	178,664	42,464	91,816	599,676	403,624
Income before	279,195	390,280	296,453	1,322,438	2,837,519
Net income from continuing operations	263,228	347,877	268,446	1,155,930	2,454,597
Profit/Loss from discontinued operations	—	—	—	—	—
Net income (loss)	263,228	347,877	268,446	1,155,930	2,454,597
Other comprehensive income (loss)	(164,958)	160,001	1,095,501	657,529	(875,167)
Total comprehensive income (loss)	98,270	507,878	1,363,947	1,813,459	1,579,430
Earnings per	1.06	1.40	1.08	4.65	9.88

Note: The above financial data of 2018 to 2022 were audited by CPAs.

(2) Auditors' Name and Opinions from 2018 to 2022:

A. Auditors' Name and Opinions from 2018 to 2022

Year	CPA	Audit Opinion
2018	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2019	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2020	Wan-Ju Chiu, Hsin-Min Hsu	An Unqualified Opinion with Other Matter paragraph
2021	Wan-Ju Chiu, Hsin-Min Hsu	An Unqualified Opinion with Other Matter paragraph
2022	Yu-Ni Yang, Hsin-Min Hsu	An Unqualified Opinion with Other Matter paragraph

B. Instructions for replacing CPAs in the most recent five years

In order to comply with the reorganization of the internal organization of Ernst & Young, CPA Yu-Ni Yang and CPA Hsin-Min Hsu will take over to audit financial statements from 2022Q1.

2. Financial Analysis of the Last Five Years:

(1) Financial Analysis – Based on IFRS

A. Financial Ratio Analysis - Consolidated

Analyze Items		Year	2018	2019	2020	2021	2022	As of March 31, 2023
Financial structure (%)	Liability to asset ratio		29.40	31.67	22.66	32.25	33.63	28.79
	Long-term Fund to Property, Plant and Equipment Ratio		876.70	974.83	1,220.99	1,647.29	1,819.12	1,997.82
Solvency (%)	Current ratio		248.77	241.58	291.33	210.86	234.71	264.96
	Quick ratio		210.46	203.80	249.93	168.20	158.36	197.17
	Times Interest Earned (Times)		—	56.21	48.55	257.21	481.21	216.56
Operating performance analysis	Accounts receivable turnover (times)		6.19	6.10	7.10	9.92	11.40	9.18
	Average collection period		58.96	59.83	51.40	36.79	32.02	39.76
	Inventory turnover (times)		4.46	4.07	5.10	4.39	3.08	2.71
	Accounts payable turnover (times)		3.40	2.65	3.36	3.96	5.35	6.67
	Average days in sales		81.83	89.68	71.56	83.14	118.51	134.69
	Property, plant and equipment turnover (times)		8.84	9.21	9.85	15.30	25.31	25.40
	Total assets turnover (times)		0.71	0.73	0.69	0.80	1.02	0.95
Profitability analysis	Return on assets (%)		3.80	4.72	3.29	12.80	19.69	3.50
	Return on equity (%)		5.05	6.68	4.41	17.80	29.32	5.06
	Pre-tax income to paid-in capital (%)		12.71	16.77	12.60	60.44	123.01	25.74
	Net profit ratio (%)		5.32	6.34	4.66	15.96	19.21	14.65
	Earnings per share (NT\$)		1.06	1.40	1.08	4.65	9.88	2.02
Cash flow	Cash flow ratio (%)		17.09	41.06	43.41	71.48	28.87	20.67
	Cash flow adequacy ratio (%)		54.78	65.40	73.54	108.06	77.48	100.59
	Cash reinvestment ratio (%)		(8.06)	12.96	6.73	27.69	4.33	7.85
Leverage	Operating leverage		7.39	6.22	14.66	2.65	2.02	2.10
	Financial leverage		1.00	1.02	1.05	1.00	1.00	1.00

If the financial ratio has changed by 20% in the most recent two years, the explanation is as follows:

- (1) The increase in interest coverage ratio was due to the increase in after-tax benefits.
- (2) The decrease in inventory turnover was due to the increase in average inventory.
- (3) The turnover ratio of payables increased due to the increase in cost of goods sold.
- (4) The increase in the average sales days was due to the decrease in the inventory turnover rate, which led to the increase in the average sales days.
- (5) The turnover rate of real estate, plant and equipment, and the turnover rate of total assets increased, which was due to the increase in sales revenue.
- (6) The increase in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share was due to the increase in net profit after tax.
- (7) The decrease in cash flow ratio, cash flow allowable ratio and cash reinvestment ratio was due to the decrease in net cash flow from operating activities.
- (8) The decrease in operating leverage was due to the increase in operating profit.

B. Financial Ratio Analysis - Parent Company Only

Year		2018	2019	2020	2021	2022
Analyze Items						
Financial structure (%)	Liability to asset ratio	26.19	28.19	18.62	26.55	27.38
	Long-term fund to property, plant and equipment ratio	902.61	983.61	1,250.77	1,659.30	1,880.11
Solvency (%)	Current ratio	192.30	187.22	247.68	179.07	228.82
	Quick ratio	148.55	143.07	199.25	123.46	141.23
	Times interest earned (Times)	—	82.67	65.66	295.14	663.20
Operating performance analysis	Accounts receivable turnover (times)	7.69	7.36	6.81	7.91	9.04
	Average collection period	47.46	49.59	53.59	46.14	40.38
	Inventory turnover (times)	4.46	4.00	5.24	4.65	3.57
	Accounts payable turnover (times)	3.41	2.63	3.17	3.75	5.36
	Average days in sales	81.83	91.25	69.65	78.49	102.24
	Property, plant and equipment turnover (times)	8.08	8.31	9.09	13.21	23.62
	Total assets turnover (times)	0.65	0.68	0.66	0.73	1.02
Profitability analysis	Return on assets (%)	3.95	5.12	3.63	12.60	21.83
	Return on equity (%)	5.10	6.96	4.67	16.36	29.86
	Pre-tax income to paid-in capital (%)	11.23	15.70	11.93	53.21	114.16
	Net profit ratio (%)	6.09	7.49	5.45	17.23	21.41
	Earnings per share (NT\$)	1.06	1.40	1.08	4.65	9.88
Cash flow	Cash flow ratio (%)	18.86	27.47	23.39	55.06	46.59
	Cash flow adequacy ratio (%)	58.56	60.27	57.87	77.46	60.60
	Cash reinvestment ratio (%)	(8.66)	5.46	0.17	14.09	6.23
Leverage	Operating leverage	15.45	5.79	8.67	3.40	1.93
	Financial leverage	1.00	1.01	1.02	1.01	1.00

If the financial ratio has changed by 20% in the most recent two years, the explanation is as follows:

- (1) The increase in current ratio and quick ratio is due to the increase in current assets.
- (2) The increase in interest coverage ratio was due to the increase in after-tax benefits.
- (3) The decrease in inventory turnover was due to the increase in average inventory.
- (4) The increase in the turnover rate of payables was due to the increase in the cost of goods sold.
- (5) The increase in the average sales days was due to the increase in the average sales days due to the decline in the inventory turnover rate.
- (6) The turnover rate of real estate, plant and equipment, and the turnover rate of total assets increased, which was due to the increase in sales revenue.
- (7) The increase in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share was due to the increase in net profit after tax.
- (8) The decrease in the cash flow allowable ratio and the cash reinvestment ratio was due to the increase in cash dividends paid.
- (9) The decrease in operating leverage was due to the increase in operating profit.

Note 1: The above financial data of 2018 to 2022 were audited by CPAs.

Note 2: The 2023Q1 financial statements have been reviewed by CPAs up to the date of the report publication.

Note 3: The calculation formulas are as follows:

1. Financial structure
 - (1) Liability to asset ratio = Total liability / Total asset
 - (2) Long-term Fund to Property, Plant and Equipment Ratio = (Total equity + Non-current liability) / Net property, plant and equipment
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets – Inventory - Pre-paid expense) / Current liabilities.
 - (3) Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating performance analysis
 - (1) Accounts receivable turnover (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations)
 - (2) Average collection period = 365 / Accounts receivable turnover
 - (3) Inventory turnover = Cost of goods sold / Average inventory
 - (4) Accounts payable turnover (including bills payable resulting from accounts payable and business operations) = Cost of goods sold / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations)
 - (5) Average days in sales = 365 / Inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / Net average value of PP&E
 - (7) Total assets turnover = Net sales / Average total assets
4. Profitability analysis
 - (1) Return on assets (ROA) = (Net income + Interest expenses * (1 - Effective tax rate)) / Average total assets
 - (2) Return on equity (ROE) = Net income / Average shareholders' equity
 - (3) Net profit before tax accounted for paid-in capital ratio = Net profit before tax / Paid-in capital
 - (4) Net profit ratio = Profit or loss after tax / Net sales.
 - (5) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow
 - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
 - (2) Cash flow adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (3) Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
6. Leverage
 - (1) Operating leverage = (Net sales - Variable cost) / Income from operations
 - (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

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

Audit Committee's Review Report

The Board of Directors has prepared and submitted to us Faraday's 2022 Business Report, Consolidated and Individual Financial Statements, and proposal for earnings distribution. Financial Statements were audited by Ernst & Young and they issued an audited report accordingly. We, as the Audit Committee of Faraday, have reviewed the Business Report, Financial Statements, and proposal for earnings distribution and do not find any discrepancies. According to Article 14 of the Securities and Exchange Act and Article 219 of Faraday Act, we hereby submit this report.

Submitted to:

Faraday's 2023 Annual Shareholders' Meeting

Convener of the Audit Committee: Bing-Kuan Luo

February 21, 2023

4. Latest annual financial report

Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Faraday Technology Corporation and its subsidiaries (“the Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

Operating revenues recognized by the Group amounted to NT\$13,065,155 thousand for the year ended December 31, 2022, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$10,002,490 thousand, NT\$2,110,618 thousand and NT\$952,047 thousand, constituting 76.56%, 16.15% and 7.29% of consolidated operating revenues, respectively. Revenue is the main operating activity of the Group. Revenue includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information related to client acceptance progress for service provided, and inspecting shipping documents and invoices to verify the accuracy of cut-off revenue time, etc. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4(16) and Note 6(16).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, whose statements reflect total assets of NT\$1,121,758 thousand and NT\$820,526 thousand, constituting 8.30% and 6.82% of total consolidated assets as of December 31, 2022 and 2021, respectively, and total operating revenues of NT\$2,864,327 thousand and NT\$1,520,178 thousand, constituting 21.92% and 18.80% of consolidated operating revenues for the years ended December 31, 2022 and 2021, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of Faraday Technology Corporation as of and for the years ended December 31, 2022 and 2021.

/s/Yang, Yu-Ni

/s/Hsu, Hsin-Min

Ernst & Young, Taiwan
February 21, 2023

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2022	December 31, 2021			December 31, 2022	December 31, 2021
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$ 4,872,818	\$ 4,763,080	Short-term loans	6(11)	\$ 127,241	\$ -
Financial assets at fair value through profit or loss, current	4, 6(2)	21,889	26,296	Financial liabilities at fair value through profit or loss, current	4, 6(2)	1,896	-
Contract assets, current	4, 6(16), 6(17)	4,173	33,288	Contract liabilities, current	4, 6(16)	1,452,266	1,310,720
Notes receivable, net	6(17)	-	4,030	Notes payable		4	3
Accounts receivable, net	4, 6(4), 6(17)	1,163,789	780,987	Accounts payable		618,932	844,644
Accounts receivable - related parties, net	4, 6(4), 6(17), 7	189,927	153,567	Accounts payable - related parties	7	510,387	527,278
Other receivables		156,591	77,662	Payables on equipment		7,697	553
Inventories, net	4, 5, 6(5)	3,016,901	1,320,690	Other payables	6(12)	925,105	622,115
Other current assets	6(6), 7	204,786	191,142	Current tax liabilities	4, 6(22)	450,230	171,166
Costs to fulfil a contract, current	6(16)	123,358	41,412	Lease liabilities, current	4, 6(18), 12	49,862	18,353
Total current assets		<u>9,754,232</u>	<u>7,392,154</u>	Other current liabilities		12,257	10,851
				Total current liabilities		<u>4,155,877</u>	<u>3,505,683</u>
Non-current assets				Non-current liabilities			
Financial assets at fair value through other comprehensive income, non-current	4, 6(3)	1,953,282	2,915,438	Deferred tax liabilities	4, 6(22)	22,125	8,594
Financial assets measured at amortized cost, non-current	4, 6(7), 8	69,752	189,382	Lease liabilities, non-current	4, 6(18), 12	217,379	200,594
Property, plant and equipment	4, 6(8)	514,367	517,870	Long-term payables	6(12)	148,827	161,247
Right-of-use assets	4, 6(18)	255,483	211,436	Defined benefit liabilities, non-current	4, 6(13)	-	5,088
Intangible assets	4, 6(9)	614,985	505,049	Total non-current liabilities		<u>388,331</u>	<u>375,523</u>
Deferred tax assets	4, 6(22)	47,345	26,305	Total liabilities		<u>4,544,208</u>	<u>3,881,206</u>
Refundable deposits		139,064	115,021				
Defined benefit assets, non-current	4, 6(13)	18,057	-	Equity attributable to the parent company			
Other non-current assets	6(10)	146,238	163,850	Capital	6(14)		
Total non-current assets		<u>3,758,573</u>	<u>4,644,351</u>	Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(14)	705,700	705,700
				Retained earnings	6(14)		
				Legal reserve		1,667,419	1,551,782
				Unappropriated earnings		3,262,319	1,727,050
				Other components of equity		478,245	1,369,937
				Equity attributable to the parent company		<u>8,599,186</u>	<u>7,839,972</u>
				Non-controlling interests	6(14)	<u>369,411</u>	<u>315,327</u>
				Total equity		<u>8,968,597</u>	<u>8,155,299</u>
Total assets		<u>\$ 13,512,805</u>	<u>\$ 12,036,505</u>	Total liabilities and equity		<u>\$ 13,512,805</u>	<u>\$ 12,036,505</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31,	
		2022	2021
Operating revenues	4, 6(16), 7	\$ 13,065,155	\$ 8,085,201
Operating costs	6(5), 6(19), 7	(6,689,746)	(3,995,272)
Gross profit		6,375,409	4,089,929
Operating expenses	6(9), 6(19), 7		
Selling expenses		(475,455)	(359,836)
Administrative expenses		(542,262)	(366,465)
Research and development expenses		(2,422,237)	(2,036,866)
Expected credit (losses) gains	6(17)	(14,041)	75,294
Total operating expenses		(3,453,995)	(2,687,873)
Operating income		2,921,414	1,402,056
Non-operating income and expenses			
Interest income	6(20)	33,175	12,618
Other income	6(20)	115,072	104,348
Other gains and losses	6(20)	(5,822)	(10,980)
Finance costs	6(20)	(6,367)	(5,863)
Total non-operating income and expenses		136,058	100,123
Income before income tax		3,057,472	1,502,179
Income tax expense	4, 6(22)	(547,004)	(212,131)
Net income		2,510,468	1,290,048
Other comprehensive income (loss)	4, 6(21)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		20,657	551
Unrealized (losses) gains from equity instruments investments measured at fair value through other comprehensive income		(962,156)	669,476
Income tax relating to items that will not be reclassified to profit or loss		(4,132)	(110)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		75,557	(11,664)
Other comprehensive income (loss) (net of income tax)		(870,074)	658,253
Total comprehensive income		\$ 1,640,394	\$ 1,948,301
Net income attributable to:			
Stockholders of the parent		\$ 2,454,597	\$ 1,155,930
Non-controlling interests		55,871	134,118
		\$ 2,510,468	\$ 1,290,048
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$ 1,579,430	\$ 1,813,459
Non-controlling interests		60,964	134,842
		\$ 1,640,394	\$ 1,948,301
Earnings per share (NT\$)	6(23)		
Earnings per share-basic		\$ 9.88	\$ 4.65
Earnings per share-diluted		\$ 9.77	\$ 4.64

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings			Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total	Non- Controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings					
Balance as of January 1, 2021	\$ 2,485,503	\$ 724,574	\$ 1,510,216	\$ 369,710	\$ 491,085	\$ (113,671)	\$ 826,520	\$ 6,293,937	\$ 47,057	\$ 6,340,994
Appropriation and distribution of 2020 retained earnings										
Legal reserve	-	-	41,566	-	(41,566)	-	-	-	-	-
Cash dividends	-	-	-	-	(248,550)	-	-	(248,550)	-	(248,550)
Reversal of special reserve	-	-	-	(369,710)	369,710	-	-	-	-	-
Net income in 2021	-	-	-	-	1,155,930	-	-	1,155,930	134,118	1,290,048
Other comprehensive income (loss) in 2021	-	-	-	-	441	(12,388)	669,476	657,529	724	658,253
Total comprehensive income (loss) in 2021	-	-	-	-	1,156,371	(12,388)	669,476	1,813,459	134,842	1,948,301
Change in subsidiaries' ownership	-	(18,874)	-	-	-	-	-	(18,874)	133,428	114,554
Balance as of December 31, 2021	<u>\$ 2,485,503</u>	<u>\$ 705,700</u>	<u>\$ 1,551,782</u>	<u>\$ -</u>	<u>\$ 1,727,050</u>	<u>\$ (126,059)</u>	<u>\$ 1,495,996</u>	<u>\$ 7,839,972</u>	<u>\$ 315,327</u>	<u>\$ 8,155,299</u>
Balance as of January 1, 2022	\$ 2,485,503	\$ 705,700	\$ 1,551,782	\$ -	\$ 1,727,050	\$ (126,059)	\$ 1,495,996	\$ 7,839,972	\$ 315,327	\$ 8,155,299
Appropriation and distribution of 2021 retained earnings										
Legal reserve	-	-	115,637	-	(115,637)	-	-	-	-	-
Cash dividends	-	-	-	-	(820,216)	-	-	(820,216)	-	(820,216)
Net income in 2022	-	-	-	-	2,454,597	-	-	2,454,597	55,871	2,510,468
Other comprehensive income (loss) in 2022	-	-	-	-	16,525	70,464	(962,156)	(875,167)	5,093	(870,074)
Total comprehensive income (loss) in 2022	-	-	-	-	2,471,122	70,464	(962,156)	1,579,430	60,964	1,640,394
Non-controlling interests	-	-	-	-	-	-	-	-	(6,880)	(6,880)
Balance as of December 31, 2022	<u>\$ 2,485,503</u>	<u>\$ 705,700</u>	<u>\$ 1,667,419</u>	<u>\$ -</u>	<u>\$ 3,262,319</u>	<u>\$ (55,595)</u>	<u>\$ 533,840</u>	<u>\$ 8,599,186</u>	<u>\$ 369,411</u>	<u>\$ 8,968,597</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$ 3,057,472	\$ 1,502,179	Acquisition of financial assets measured at amortized cost	\$ (54,112)	\$ (173,822)
Adjustments for non-cash gain or loss:			Proceeds from principal of financial assets measured at amortized cost upon maturity	173,800	873
Depreciation	118,856	100,139	Proceeds from disposal of investments accounted for using equity method	-	24,203
Amortization	353,856	304,915	Acquisition of property, plant and equipment	(85,575)	(40,551)
Expected credit loss (gain)	14,041	(75,294)	Proceeds from disposal of property, plant and equipment	-	84
Loss (gain) on financial assets and liabilities at fair value through profit or loss	6,303	(4,303)	Increase in refundable deposits	(24,043)	(103,591)
Interest expense	6,367	5,863	Acquisition of intangible assets	(387,012)	(295,546)
Interest income	(33,175)	(12,618)	Net cash used in investing activities	(376,942)	(588,350)
Dividend income	(90,321)	(69,730)			
Share-based payment expenses	43,181	26,674	Cash flows from financing activities:		
Others	(1,663)	(16)	Increase in short-term loans	127,241	-
Changes in operating assets and liabilities:			Cash payments for the principal portion of the lease liabilities	(38,744)	(39,165)
Contract assets	29,115	98,124	Cash dividends	(820,216)	(248,550)
Notes receivable	4,030	(2,670)	Change in non-controlling interests	(50,061)	87,880
Accounts receivable	(396,843)	(140,106)	Net cash used in financing activities	(781,780)	(199,835)
Accounts receivable - related parties	(36,360)	(23,313)	Effect of exchange rate changes on cash and cash equivalents	68,780	(2,916)
Other receivables	(78,698)	12,274			
Inventories	(1,696,211)	(820,056)	Net increase in cash and cash equivalents	109,738	1,714,749
Prepayments	43,495	(59,642)	Cash and cash equivalents at beginning of period	4,763,080	3,048,331
Other current assets	(8,497)	19,825	Cash and cash equivalents at end of period	\$ 4,872,818	\$ 4,763,080
Costs to fulfil a contract	(81,946)	(35,451)			
Contract liabilities	141,546	834,116			
Notes payables	1	-			
Accounts payable	(225,712)	362,869			
Accounts payable - related parties	(16,891)	364,338			
Other payables	219,865	111,874			
Other current liabilities	1,406	(8,059)			
Defined benefit liabilities	(2,488)	(2,866)			
Cash generated from operations	1,370,729	2,489,066			
Interest received	32,944	12,465			
Dividend received	90,321	69,730			
Interest paid	(6,367)	(5,863)			
Income tax paid	(287,947)	(59,548)			
Net cash provided by operating activities	\$ 1,199,680	\$ 2,505,850			

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

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and Organization

Faraday Technology Corporation (the “Company”) was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company’s shares are listed on the Taiwan Stock Exchange (“TWSE”). The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries (the “Group”) for the years ended December 31, 2022 and 2021 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on February 21, 2023.

3. Newly Issued or Revised Standards and Interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The aforementioned standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC, and the local effective dates are to be determined by FSC. The aforementioned standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by the FSC (“TIFRS”).

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Company voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of	
			December 31, 2022	December 31, 2021
The Company	Faraday Technology Corporation (USA)	Sales representative in America	100.00%	100.00%
The Company	Faraday Technology Japan Corporation	Sales representative in Japan	99.95%	99.95%
The Company	Faraday Technology Corp. (B.V.I.)	General investing	100.00%	100.00%
The Company	Faraday Technology Vietnam Company Limited	IC designing service	100.00%	100.00%
The Company	Sinble Technology Pte. Ltd. (Note 1)	IC designing service	100.00%	-
The Company	Chih-Hung Investment Corporation (Chih-Hung)	General investing	100.00%	100.00%
The Company	Sheng Bang Investment Corporation (Sheng Bang)	General investing	100.00%	100.00%
Chih-Hung	Grain Media Inc.	IC designing, marketing and customer service	19.42%	19.42%
Chih-Hung	Innopower Technology Corporation (Innopower)	Silicon Intellectual Property designing service	100.00%	100.00%

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of	
			December 31, 2022	December 31, 2021
Chih-Hung	FaradayTek Solutions India Private Limited	IC designing service	1.00%	1.00%
Sheng Bang	Grain Media Inc.	IC designing, marketing and customer service	80.58%	80.58%
Sheng Bang	FaradayTek Solutions India Private Limited	IC designing service	99.00%	99.00%
Innopower	Bright Capital Group Limited (BCGL)	General investing	100.00%	100.00%
BCGL	Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology (Mauritius) Corp.	General investing	100.00%	100.00%
B.V.I.	GrainTech Electronics Limited	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology (Samoa) Corp.	General investing	100.00%	100.00%
B.V.I.	Artery Technology Corporation (Note 2)	General investing	60.87%	60.87%
Samoa	United Business Service Corporation	IC designing, marketing and customer service	100.00%	100.00%
Artery	Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	100.00%	100.00%
Artery	Artery Technology Company	IC designing, marketing and customer service	100.00%	100.00%
United Business Service Corporation	United Creative Solution Corporation	IC designing, marketing and customer service	100.00%	100.00%
United Business Service Corporation	Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Faraday Technology China Corporation	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Grain Media Technology (Shenzhen) Co., Ltd. (Note 3)	IC designing, marketing and customer service	-	100.00%

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Notes:

- (1) The Company established Sinble Technology Pte. Ltd. in November 2022, and completed capital injection of NT\$179,400 thousand in January 2023.
- (2) The employee stock options of Artery Technology Corporation were exercised in 2021. Accordingly, the Group's shareholding in Artery Technology Corporation was reduced to 60.87%.
- (3) Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation during the year ended December 31, 2018. The liquidation procedures were completed in 2022.
- (4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with original maturities of one year or less).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

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The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (1) the Group's business model for managing the financial assets and
- (2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (1) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

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D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Actual purchase cost on weighted moving average cost basis.

Finished goods and work in progress - Cost of direct materials and manufacturing overheads on weighted moving average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "*Property, plant and equipment*". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

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Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liabilities for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liabilities on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liabilities by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liabilities;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	2 - 10 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follows:

Sale of goods

The Group outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Group is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Group's sale of goods is month-end 30-60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Group usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Group has the obligation to transfer the goods subsequently. Accordingly, the Group recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Group provides design services and recognizes revenue by reference to the stage of completion in accordance with contracts with customers.

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Most of the contractual considerations of the Group are collected throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Group measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is aroused.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Group's intellectual property as it exist throughout the license period, the Group uses straight-line method to recognize revenue during the license period. If the nature of license is not abovementioned, the license provides a right to use the Group's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Group recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Group has the obligation to provide the services to access or use the Group's intellectual property subsequently. Accordingly, the Group recognizes payments received in advance as contract liabilities.

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(17) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

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The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(19) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

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Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(5) for more details.

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6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2022	December 31, 2021
Cash		
Cash on hand	\$763	\$387
Checking and savings	2,177,179	2,975,234
Time deposits	2,564,876	1,787,459
Cash equivalents-commercial paper with repurchase agreements	130,000	-
Total	<u>\$4,872,818</u>	<u>\$4,763,080</u>

(2) Financial assets and liabilities at fair value through profit or loss

	As of	
	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments- forward currency	\$-	\$1,424
Funds	21,889	24,872
Total	<u>\$21,889</u>	<u>\$26,296</u>
Current	<u>\$21,889</u>	<u>\$26,296</u>
Financial liabilities held for trading:		
Derivatives not designated as hedging instruments- forward currency	\$1,896	\$-
Current	<u>\$1,896</u>	<u>\$-</u>

Financial assets at fair value through profit or loss were not pledged.

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(3) Financial assets at fair value through other comprehensive income

	As of	
	December 31, 2022	December 31, 2021
Equity instrument investments measured at fair value through other comprehensive income –		
Non-current:		
Unlisted companies stocks	\$1,953,282	\$2,915,438

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

The Group recognized dividend income related to equity instrument investments measured at fair value through other comprehensive income in the amount of NT\$90,321 thousand and NT\$69,730 thousand for the years ended December 31, 2022 and 2021, respectively, which was all related to investments held at the end of the reporting period.

(4) Accounts receivable, net and accounts receivable - related parties, net

	As of	
	December 31, 2022	December 31, 2021
Accounts receivable (gross carrying amount)	\$1,192,139	\$807,095
Less: loss allowance	(28,350)	(26,108)
Subtotal	1,163,789	780,987
Accounts receivable - related parties (gross carrying amount)	189,927	153,567
Total	\$1,353,716	\$934,554

Accounts receivable were not pledged.

Accounts receivable are generally on 30 - 60 day terms from the date of monthly closing. The gross carrying amount of accounts receivable was NT\$1,382,066 thousand and NT\$960,662 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(17) for more details on impairment of accounts receivable and Note 12 for credit risk disclosures.

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(5) Inventories

	As of	
	December 31, 2022	December 31, 2021
Work in process	\$1,634,250	\$750,171
Finished goods	1,382,651	570,519
Total	<u>\$3,016,901</u>	<u>\$1,320,690</u>

The cost of inventories recognized in expenses amounted to NT\$6,689,746 thousand and NT\$3,995,272 thousand for the years ended December 31, 2022 and 2021, respectively, including the inventory valuation loss (reversal gain) of NT\$69,037 thousand and NT\$(2,860) thousand, and loss on scrap of inventories of NT\$25,561 thousand and NT\$5,689 thousand for the years ended December 31, 2022 and 2021, respectively. The reversal gain of inventory loss allowance resulted from the sales of previous inventory write-downs during the year ended December 31, 2021.

No inventories were pledged.

(6) Other current assets

	As of	
	December 31, 2022	December 31, 2021
Prepaid royalty fee	\$145,492	\$147,103
Prepaid expenses	10,045	21,968
Prepayment in advance	593	5,824
Others	48,656	16,247
Total	<u>\$204,786</u>	<u>\$191,142</u>

The prepaid royalty fee was primarily attributable to several agreements which the Group entered into for certain software license and silicon intellectual property license.

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(7) Financial assets measured at amortized cost, non-current

	As of	
	December 31, 2022	December 31, 2021
Time deposit	\$69,162	\$188,850
Others	590	532
Total	\$69,752	\$189,382

Financial assets measured at amortized cost include time deposits with original maturities more than one year or security deposit. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(8) Property, plant and equipment

	As of	
	December 31, 2022	December 31, 2021
Property, plant and equipment for its own use	\$514,367	\$517,870

	Office						
	Land	Buildings and facilities	Machinery	Computer equipment	furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2022	\$33,576	\$585,484	\$62,910	\$174,521	\$25,023	\$1,758	\$883,272
Additions	-	10,768	7,087	30,517	11,277	-	59,649
Disposals	-	(6,667)	(3,583)	(82,424)	(115)	-	(92,789)
Transfers to expenses	-	-	-	(27)	(63)	-	(90)
Reclassifications	-	10,406	-	-	-	-	10,406
Exchange effect	-	(189)	-	1,348	318	86	1,563
As of December 31, 2022	\$33,576	\$599,802	\$66,414	\$123,935	\$36,440	\$1,844	\$862,011

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	Office						
	Land	Buildings and facilities	Machinery	Computer equipment	furniture and fixtures	Miscellaneous equipment	Total
As of January 1, 2021	\$33,576	\$580,809	\$40,676	\$164,811	\$22,133	\$1,555	\$843,560
Additions	-	5,535	22,234	9,808	3,227	300	41,104
Reclassifications	-	-	-	-	(62)	(84)	(146)
Exchange effect	-	(860)	-	(98)	(275)	(13)	(1,246)
As of December 31, 2021	<u>\$33,576</u>	<u>\$585,484</u>	<u>\$62,910</u>	<u>\$174,521</u>	<u>\$25,023</u>	<u>\$1,758</u>	<u>\$883,272</u>
Depreciation and impairment:							
As of January 1, 2022	\$-	\$195,985	\$23,065	\$125,601	\$19,631	\$1,120	\$365,402
Additions	-	25,585	11,657	32,711	3,572	295	73,820
Exchange effect	-	(6,667)	(3,583)	(82,424)	(115)	-	(92,789)
As of December 31, 2022	-	(6)	-	894	239	84	1,211
	<u>\$-</u>	<u>214,897</u>	<u>\$31,139</u>	<u>\$76,782</u>	<u>\$23,327</u>	<u>\$1,499</u>	<u>\$347,644</u>
As of January 1, 2021	\$-	\$181,473	\$15,262	\$88,710	\$17,874	\$919	\$304,238
Additions	-	14,609	7,803	36,986	2,033	212	61,643
Exchange effect	-	(97)	-	(95)	(276)	(11)	(479)
As of December 31, 2021	<u>\$-</u>	<u>\$195,985</u>	<u>\$23,065</u>	<u>\$125,601</u>	<u>\$19,631</u>	<u>\$1,120</u>	<u>\$365,402</u>
Net carrying amount as of:							
December 31, 2022	<u>\$33,576</u>	<u>\$384,905</u>	<u>\$35,275</u>	<u>\$47,153</u>	<u>\$13,113</u>	<u>\$345</u>	<u>\$514,367</u>
December 31, 2021	<u>\$33,576</u>	<u>\$389,499</u>	<u>\$39,845</u>	<u>\$48,920</u>	<u>\$5,392</u>	<u>\$638</u>	<u>\$517,870</u>

Note:

a. Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6-16 years, respectively.

b. Property, plant and equipment were not pledged.

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(9) Intangible assets

	Software	
	For the years ended December 31,	
	2022	2021
<u>Cost</u>		
Beginning balance	\$876,645	\$964,196
Addition — acquired separately	457,717	558,567
Decrease — derecognition	(159,312)	(637,830)
Exchange effect	12,647	(8,288)
Ending balance	<u>\$1,187,697</u>	<u>\$876,645</u>
 <u>Accumulated Amortization</u>		
Beginning balance	\$371,596	\$704,940
Amortization	353,856	304,915
Decrease — derecognition	(159,312)	(637,830)
Exchange effect	6,572	(429)
Ending balance	<u>\$572,712</u>	<u>\$371,596</u>
 Net carrying amount as of:		
December 31, 2022	<u>\$614,985</u>	
December 31, 2021		<u>\$505,049</u>

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Selling expenses	\$168	\$60
Administrative expenses	48,887	302
Research and development expenses	304,801	304,553
Total	<u>\$353,856</u>	<u>\$304,915</u>

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(10) Other non-current assets

	As of	
	December 31, 2022	December 31, 2021
Long-term prepayments	\$111,560	\$163,850
Prepayment for equipment	33,070	-
Others	1,608	-
Total	<u>\$146,238</u>	<u>\$163,850</u>

The long-term prepayments were primarily attributable to several agreements which the Group entered into for certain silicon intellectual property license.

(11) Short-term loans

	As of	
	December 31, 2022	December 31, 2021
Unsecured bank loans	\$127,241	\$-
Interest rates applied	3.8%	-

The Group's credit limit from short-term loans was NT\$1,372,529 thousand and NT\$891,750 thousand as of December 31, 2022 and 2021, respectively.

(12) Long-term payables

The payables were primarily attributable to several agreements which the Group entered into for certain software license. As of December 31, 2022 and 2021, payments for future years are as follows:

Year of payment	As of	
	December 31, 2022	December 31, 2021
2022	\$-	\$323,396
2023	298,091	115,715
2024	97,921	45,532
2025	44,875	-
2026	6,031	-
Subtotal	446,918	484,643
Less: Current portion (Recognized as other payables)	(298,091)	(323,396)
Total	<u>\$148,827</u>	<u>\$161,247</u>

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(13) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China would contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$51,049 thousand and NT\$52,628 thousand, respectively.

Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$3,566 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

The average duration of the defined benefits plan obligation is 11 years and 12 years as of December 31, 2022 and 2021, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	\$1,065	\$763
Net interest expense on the net defined benefit liabilities	21	26
Total	\$1,086	\$789

Present value of defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Present value of defined benefit obligation	\$122,777	\$139,999	\$138,912
Fair value of plan assets	(140,834)	(134,911)	(130,517)
Net defined benefit (assets) liabilities, non-current	\$(18,057)	\$5,088	\$8,395

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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2021	\$138,912	\$(130,517)	\$8,395
Current service costs	763	-	763
Net interest expense (income)	533	(507)	26
Subtotal	140,208	(131,024)	9,184
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	1,357	-	1,357
Remeasurements of defined benefit asset	-	(2,382)	(2,382)
Subtotal	1,831	(2,382)	(551)
Benefits paid	(2,040)	2,040	-
Contributions by employer	-	(3,545)	(3,545)
As of December 31, 2021	\$139,999	\$(134,911)	\$5,088
Current service costs	1,065	-	1,065
Net interest expense (income)	702	(681)	21
Subtotal	141,766	(135,592)	6,174
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(10,122)	-	(10,122)
Experience adjustments	(738)	-	(738)
Remeasurements of defined benefit asset	-	(9,797)	(9,797)
Subtotal	(10,860)	(9,797)	(20,657)
Benefits paid	(8,129)	8,129	-
Contributions by employer	-	(3,574)	(3,574)
As of December 31, 2022	\$122,777	\$(140,834)	\$(18,057)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

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	As of	
	December 31, 2022	December 31, 2021
Discount rate	1.6970%	0.5010%
Expected rate of salary increases	3.50%	3.00%

A sensitivity analysis for significant assumption as of December 31, 2022 and 2021 is as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$3,300	\$-	\$4,020
Discount rate decrease by 0.25%	3,421	-	4,177	-
Expected rate of salary increase by 0.5%	6,711	-	8,152	-
Expected rate of salary decrease by 0.5%	-	6,312	-	7,637

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

A. Capital stock

The Company's authorized capital was NT\$6,000,000 thousand, divided into 600,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options), as of December 31, 2022 and 2021, each at a par value of NT\$10.

The Company's issued capital was NT\$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2022 and 2021. Each share has one voting right and a right to receive dividends.

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B. Additional paid-in capital

	As of	
	December 31, 2022	December 31, 2021
Premiums in excess of par	\$594,782	\$594,782
Change in subsidiaries' ownership	108,352	108,352
Employee stock option and others	2,566	2,566
Total	<u>\$705,700</u>	<u>\$705,700</u>

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Reserve for tax payments;
- b. Offset accumulated losses in previous years, if any;
- c. Legal reserve, which is 10% of leftover profits;
- d. Allocation or reverse of special reserves as required by law or government authorities;
- e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. Except partial retained earnings will be distributed in future years, the distribution proposal is resolved by shareholder's meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

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According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on February 21, 2023 and May 24, 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$247,112	\$115,637	\$-	\$-
Common stock-cash dividend	1,242,752	820,216	5.0	3.3

Please refer to Note 6(19) for more details on employees’ compensations and the remunerations to directors.

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D. Non-controlling interests

	For the years ended December 31,	
	2022	2021
Beginning balance	\$315,327	\$47,057
Income attributable to non-controlling interests	55,871	134,118
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	5,093	724
Cash dividend distributed by the subsidiary	(50,061)	-
Issuance of employee stock options by the subsidiaries	43,181	26,674
Not subscribe to the new shares of the subsidiary proportionate to its original ownership interest	-	87,859
Others	-	18,895
Ending balance	<u>\$369,411</u>	<u>\$315,327</u>

(15) Share-based payment plans

A. Share-based payment plans of the subsidiary, Artery Technology Corporation

In January 2018, the board of directors of Artery Technology Corporation resolved in their meeting to issue stock options (the “2018 Stock Option Plan”) entitling the holder to subscribe one common share of Artery Technology Corporation with one option unit and such options are granted in installments to those who meet certain conditions. On January 2, 2018, the board of directors of Artery Technology Corporation resolved to grant 516.2 thousand units of stock options, and the option holders exercise the stock options according to a certain schedule and percentage. When stock options are exercised, new shares will be issued. On May 8, 2020, the board of directors of Artery Technology Corporation made a resolution for the change of the 2018 Stock Option Plan that one unit of stock option is entitled to subscribe one Seed Preferred Share of Artery Technology Corporation, and on October 1, 2021, the board of directors of Artery Technology Corporation resolved to amend the 2018 Stock Option Plan that Artery Technology Corporation may request the option holder to accelerate the exercise of the stock option during the notice period. On October 1, 2021, the board meeting also resolved to grant another 196.8 thousand units of stock options.

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On December 9, 2021, shareholders of the subsidiary Artery Technology Corporation resolved in their special shareholders' meeting for the change of the denomination of common shares from one common share with a par value of US\$1 per share to 6 common shares with a par value of NT\$10 per share. In the same year, on December 27, 2021, the board of directors issued and granted 2,442 thousand units of stock options to those who meet certain conditions, and each option unit could subscribe one common share of Artery Technology Corporation (collectively, the "2021 Stock Option Plan"). The option holders may exercise the option rights upon two-year maturity from the grant of the options and from the date the shares of Artery Technology Corporation are primary listed on the Taiwan Stock Exchange or on the Taipei Exchange. When an employee exercises a stock option, a new share will be issued.

Artery Technology Corporation estimates compensation cost with the fair value method and uses the Black-Scholes option pricing model to estimate the fair value of the stock options on the grant date, with parameters and assumptions in consideration of the terms and conditions of the stock option plans.

The contract term of the aforementioned stock option plans is six years and no cash settlement option is available. Artery Technology Corporation did not have a prior practice of cash settlement of the stock options under these plans.

The information related to the aforementioned share-based payment plan is as follows:

	Total number of units	Exercise price per unit
Grant date of stock options	issued (units in thousands)	(dollar)
January 2, 2018	516.2	US\$0.001
October 1, 2021	196.8	US\$0.001
December 27, 2021	2,442	NT\$10

In view of the aforementioned share-based payment plans, the valuation model and assumptions applied are as follows:

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	Granted on December 27, 2021	Granted on October 1, 2021	Granted on January 2, 2018
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	50.63%	41.59%~43.78%	78.41%~78.72%
Risk-free interest rates (%)	0.4082%	0.2901%~0.2991%	4.7913%~4.8005%
Expected life of stock options (year)	2 years	3.5-4.5 years	3.5-4.5 years
Fair value of stock option (dollar)	NT\$44.74	US\$4.851	US\$0.41
Option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model	Black-Scholes option pricing model

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Details of Artery Technology Corporation's stock option plans are as follows:

	<u>For the year ended December 31, 2022</u>	
	<u>Granted on December 27, 2021</u>	
	<u>Number of stock options (in thousand units)</u>	<u>Weighted-average exercise price (NT\$)</u>
Options outstanding as of January 1	2,442	\$10
Options granted in the current period	-	-
Options forfeited in the current period	-	-
Options exercised in the current period	-	-
Options expired in the current period	-	-
Options outstanding as of December 31	<u>2,442</u>	<u>10</u>
Options exercisable as of December 31	<u>-</u>	<u>-</u>
Weighted-average fair value of options granted in the current period (NT\$)	<u>\$-</u>	

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	For the year ended December 31, 2021			
	Granted on December 27, 2021		Granted on January 2, 2018 and October 1, 2021	
	Number of stock options (in thousand units)	Weighted- average exercise price (NT\$)	Number of stock options (in thousand units)	Weighted- average exercise price (US\$)
Options outstanding as of January 1	-	\$-	516.2	\$0.001
Options granted in the current period	2,442	10	196.8	0.001
Options forfeited in the current period	-	-	-	-
Options exercised in the current period	-	-	(713.0)	0.001
Options expired in the current period	-	-	-	-
Options outstanding as of December 31	<u>2,442</u>	<u>10</u>	<u>-</u>	<u>-</u>
Options exercisable as of December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted-average fair value of options granted in the current period	<u>NT\$34.91</u>		<u>US\$4.85</u>	

The information on the abovementioned share-based payment plans as of December 31, 2022 and 2021 is as follows:

	Range of execution price/per unit	Weighted-average remaining life (years)
<u>As of December 31, 2022</u>		
Options outstanding	NT\$10	1
<u>As of December 31, 2021</u>		
Options outstanding	NT\$10	2

B. The expenses related to the share-based payment plans are as follows:

	For the years ended December 31,	
	2022	2021
Stock options	<u>\$43,181</u>	<u>\$26,674</u>

Artery Technology Corporation did not cancel or revise the share-based payment plan in 2022. In the fourth quarter of 2021, Artery Technology Corporation requested the option holders to accelerate the exercise of the stock options in total according to the 2018 Stock Option Plan, and the related effect of modifying the 2018 Stock Option Plan was accordingly recognized as compensation costs in 2021.

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(16) Operating revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2022 and 2021 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2022	2021
Sale of goods	\$10,002,490	\$5,613,524
Rendering of services	2,110,618	1,783,467
Silicon intellectual property license	952,047	688,210
Total	<u>\$13,065,155</u>	<u>\$8,085,201</u>
Timing of revenue recognition:		
At a point in time	\$10,900,777	\$6,242,702
Over time	2,164,378	1,842,499
Total	<u>\$13,065,155</u>	<u>\$8,085,201</u>

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Rendering of services	<u>\$4,173</u>	<u>\$33,288</u>	<u>\$137,475</u>

The significant changes in the Group's balances of contract assets for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
The opening balance transferred to accounts receivable	\$33,288	\$127,363
Change in the progress of completion	3,778	12,624
Exchange rate changes	395	16,615
Impairment	-	(6,063)

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B. Contract liabilities – current

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Sales of goods	\$888,221	\$769,005	\$296,266
Rendering of services	414,048	541,480	177,463
Silicon intellectual property license	149,997	235	2,875
Total	<u>\$1,452,266</u>	<u>\$1,310,720</u>	<u>\$476,604</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
The opening balance transferred to revenue	\$1,196,151	\$452,292
Increase in receipts in advance during the period (netting the amount incurred and transferred to revenue during the same period)	1,337,697	1,286,408

(3) Transaction price allocated to unsatisfied performance obligations

As of December 31, 2022 and 2021, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amount of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license is NT\$2,729,784 thousand and NT\$2,616,885 thousand, respectively. The Group will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

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(4) Assets recognized from costs to fulfil a contract

	As of	
	December 31, 2022	December 31, 2021
Costs to fulfil a contract, current	\$123,358	\$41,412

The costs to fulfil a contract are the costs incurred by the Group for non-recurring engineering projects, and will be recognized as operating costs when the performance obligations are satisfied.

For the years ended December 31, 2022 and 2021, amortization expenses amounted to NT\$183,485 thousand and NT\$15,265 thousand are recognized as operating costs, respectively.

(17) Expected credit (losses) gains

	For the years ended December 31,	
	2022	2021
Operating expenses – Expected credit (losses) gains		
Contract assets	\$-	\$(6,063)
Accounts receivable	(14,041)	81,357
Total	\$(14,041)	\$75,294

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and accounts receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance as of December 31, 2022 and 2021 are as follows:

- i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follows:

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	As of	
	December 31, 2022	December 31, 2021
Gross carrying amount	\$7,216	\$48,490
Expected credit loss rates	0%~100%	0%~100%
Loss allowance	(3,043)	(15,202)
Carry amount	\$4,173	\$33,288

- ii. the Group considers the grouping of accounts receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follows:

2022.12.31

Group 1	Overdue						Total
	Not yet due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$998,827	\$183,959	\$41,395	\$28,656	\$2,085	\$23,614	\$1,278,536
Expected credit loss rates	-%	-%	2%	10%	50%	100%	
Lifetime expected credit losses	-	-	828	2,866	1,042	23,614	28,350
Subtotal	\$998,827	\$183,959	\$40,567	\$25,790	\$1,043	\$-	\$1,250,186

Group 2	Overdue							Total
	Not yet due	<=120 days	121-150 days	151-180 days	181-210 days	211-270 days	271-300 days	
Gross carrying amount	\$52,521	\$51,009	\$-	\$-	\$-	\$-	\$-	\$103,530
Expected credit loss rates	-%	-%	2%	2%	10%	50%	80%	100%
Lifetime expected credit losses	-	-	-	-	-	-	-	-
Subtotal	\$52,521	\$51,009	\$-	\$-	\$-	\$-	\$-	\$103,530
Carrying amount								\$1,353,716

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2021.12.31

Group 1	Not yet due	Overdue					Total		
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days			
Gross carrying									
amount	\$787,094	\$42,505	\$16,135	\$60	\$-	\$25,185	\$870,979		
Expected									
credit loss									
rates	-%	-%	2%	10%	50%	100%			
Lifetime									
expected									
credit losses	-	-	323	6	-	25,185	25,514		
Subtotal	\$787,094	\$42,505	\$15,812	\$54	\$-	\$-	\$845,465		
Group 2		Overdue							Total
	Not yet due	<=120	121-150	151-180	181-210	211-270	271-300	>=301	
	(note)	days	days	days	days	days	days	days	
Gross carrying									
amount	\$35,042	\$28,989	\$-	\$29,682	\$-	\$-	\$-	\$-	\$93,713
Expected									
credit loss									
rates	-%	-%	2%	2%	10%	50%	80%	100%	
Lifetime									
expected									
credit losses	-	-	-	594	-	-	-	-	594
Subtotal	\$35,042	\$28,989	\$-	\$29,088	\$-	\$-	\$-	\$-	\$93,119
Carrying									
amount									\$938,584

Note: All of the Group's notes receivable are not yet due.

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- iii. The movements in the provision for impairment of contract assets and accounts receivable for the years ended December 31, 2022 and 2021 are as follows:

	Contract assets	Accounts receivable
As of January 1, 2022	\$15,202	\$26,108
Increase for the current period	-	14,041
Write-off	(12,159)	(11,799)
As of December 31, 2022	\$3,043	\$28,350
As of January 1, 2021	\$9,139	\$107,465
Increase (reversal) for the current period	6,063	(81,357)
As of December 31, 2021	\$15,202	\$26,108

(18) Leases

The Group as lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2022	December 31, 2021
Land	\$184,663	\$186,207
Buildings and facilities	68,841	22,461
Transportation equipment	1,617	2,759
Office equipment	362	9
Total	\$255,483	\$211,436

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During the years ended December 31, 2022 and 2021, the additions to right-of-use assets of the Group amounted to NT\$89,242 thousand and NT\$16,146 thousand, respectively.

(b) Lease liabilities

	As of	
	December 31, 2022	December 31, 2021
Lease liabilities	\$267,241	\$218,947
Lease liabilities-current	\$49,862	\$18,353
Lease liabilities-noncurrent	217,379	200,594
Total	\$267,241	\$218,947

Please refer to Note 6 (20) for the interest on lease liabilities recognized during the years ended December 31, 2022 and 2021 and refer to Note 12 (5) for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2022	2021
Land	\$5,431	\$5,320
Buildings and facilities	38,433	31,911
Transportation equipment	1,141	1,154
Office equipment	31	111
Total	\$45,036	\$38,496

C. Income and costs relating to leasing activities

	For the years ended December 31	
	2022	2021
The expense relating to short-term leases	\$6,846	\$2,496

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D. Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounted to NT\$51,957 thousand and NT\$47,037 thousand, respectively.

E. Other information relating to leasing activities

Extension option

Some of the Group's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with period covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$86,768	\$2,175,335	\$2,262,103	\$53,997	\$1,654,459	\$1,708,456
Labor and health insurance	6,865	142,703	149,568	3,645	112,472	116,117
Pension	2,436	49,699	52,135	2,147	51,270	53,417
Others	1,345	42,008	43,353	1,106	31,536	32,642
Depreciation	1,048	117,808	118,856	1,036	99,103	100,139
Amortization	-	353,856	353,856	-	304,915	304,915

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According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. However, before distributing employees' compensation and remuneration to directors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors to be NT\$367,486 thousand and NT\$6,333 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors to be NT\$367,486 thousand and NT\$6,333 thousand for the year ended December 31, 2022.

Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors to be NT\$173,361 thousand and NT\$1,290 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors to be NT\$173,361 thousand and NT\$1,290 thousand for the year ended December 31, 2021.

A resolution was approved in a meeting of the Board of Directors held on February 21, 2023 to distribute NT\$367,486 thousand and NT\$6,333 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no differences between the aforementioned approved amounts and the amounts charged against earnings in 2022.

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A resolution was approved in a meeting of the Board of Directors held on February 22, 2022 to distribute NT\$173,361 thousand and NT\$1,929 thousand in cash as employees' compensation and remuneration to directors, respectively. There are no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2021. The main difference was a change in estimates and was recognized in profit or loss during the year ended December 31, 2022.

(20) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$33,175	\$12,618

B. Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$90,321	\$69,730
Other income-others	24,751	34,618
Total	\$115,072	\$104,348

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains	\$11,736	\$9,429
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(6,303)	4,303
Others	(11,255)	(24,712)
Total	\$(5,822)	\$(10,980)

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D. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	\$6,367	\$5,863

(21) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$20,657	\$-	\$20,657	\$(4,132)	\$16,525
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income	(962,156)	-	(962,156)	-	(962,156)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	75,557	-	75,557	-	75,557
Total other comprehensive income	\$(865,942)	\$-	\$(865,942)	\$(4,132)	\$(870,074)

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	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$551	\$-	\$551	\$(110)	\$441
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income	669,476	-	669,476	-	669,476
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(11,664)	-	(11,664)	-	(11,664)
Total other comprehensive income	<u>\$658,363</u>	<u>\$-</u>	<u>\$658,363</u>	<u>\$(110)</u>	<u>\$658,253</u>

(22) Income tax

The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2022	2021
Current income tax expense:		
Current income tax payable	\$539,031	\$189,366
Adjustments in respect of current income tax of prior periods	(769)	(2,604)
Deferred tax expense (income):		
Deferred tax income related to origination and reversal of temporary differences	11,641	24,144
Others	(2,899)	1,225
Total income tax expense	<u>\$547,004</u>	<u>\$212,131</u>

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Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2022	2021
Deferred tax expense:		
Remeasurements of defined benefit plans	\$4,132	\$110

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2022	2021
Accounting profit before tax from continuing operations	\$3,057,472	\$1,502,179
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	\$704,186	\$304,128
Tax effect of revenues exempted from taxation	(30,672)	(11,100)
Tax effect of deferred tax assets/liabilities	(24,029)	(93,897)
Adjustments in respect of current income tax of prior periods	(769)	(2,604)
Tax effect of withholding tax under other tax jurisdiction	25,254	24,698
Tax credits	(130,000)	(11,000)
Others	3,034	1,906
Total income tax expense recognized in profit or loss	\$547,004	\$212,131

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2022
Temporary differences					
Unrealized exchange loss	\$781	\$2,693	\$-	\$-	\$3,474
Unrealized exchange gain	(8,111)	8,111	-	-	-
Unrealized (realized) gain from sales	(198)	11,871	-	-	11,673
Unrealized allowance for inventory valuation and obsolescence losses	10,631	2,602	-	-	13,233
Valuation gain/loss on financial assets/liabilities at fair value through profit or loss	(285)	664	-	-	379
Defined benefit liabilities	1,018	3,114	(4,132)	-	-
Unrealized bad debt expense	2,000	1,385	-	-	3,385
Depreciation difference for tax purposes	346	(346)	-	-	-
Impairment loss on financial assets	7,953	-	-	-	7,953
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	-	(22,125)	-	-	(22,125)
Others	3,576	3,672	-	-	7,248
Deferred tax expense		<u>\$11,641</u>	<u>\$(4,132)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$17,711</u>				<u>\$25,200</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$26,305</u>				<u>\$47,345</u>
Deferred tax liabilities	<u>\$(8,594)</u>				<u>\$(22,125)</u>

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For the year ended December 31, 2021

		Deferred tax	Deferred tax	Deferred tax	
		income	income	income	
		(expense)	(expense)	(expense)	
	Beginning	(expense)	recognized in		Ending
	balance as of	recognized	other		balance as of
	January 1,	in profit or	comprehensive	Exchange	December 31,
	2021	loss	income	differences	2021
Temporary differences					
Unrealized exchange loss	\$5,882	\$(5,101)	\$-	\$-	\$781
Unrealized exchange gain	(6,810)	(1,301)	-	-	(8,111)
Unrealized (realized) gain from sales	755	(953)	-	-	(198)
Unrealized allowance for inventory valuation and obsolescence losses	11,203	(572)	-	-	10,631
Valuation gain/loss on financial assets/liabilities at fair value through profit or loss	301	(586)	-	-	(285)
Defined benefit liabilities	1,679	(551)	(110)	-	1,018
Unrealized bad debt expense	19,720	(17,720)	-	-	2,000
Depreciation difference for tax purposes	44	302	-	-	346
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	1,238	2,338	-	-	3,576
Deferred tax expense		<u>\$(24,144)</u>	<u>\$(110)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$41,965</u>				<u>\$17,711</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$48,775</u>				<u>\$26,305</u>
Deferred tax liabilities	<u>\$(6,810)</u>				<u>\$(8,594)</u>

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The following table contains information of the unused tax losses of the Group:

Year	Accumulated loss	Unutilized accumulated loss as of		Expiration Year
		December 31, 2022	December 31, 2021	
2012	\$5,752	\$-	\$5,752	2022
2013	8,763	8,763	8,763	2023
2015	66,089	66,089	66,089	2025
2016	11,777	11,537	11,537	2026
2017	19,544	19,544	19,544	2027
2018	14,435	14,435	14,435	2028
2019	479	479	479	2029
2020	29,301	29,301	29,301	2030
		<u>\$150,148</u>	<u>\$155,900</u>	

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that were not recognized amounted to NT\$165,472 thousand and NT\$201,313 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

As of December 31, 2022 and 2021, the Group did not recognize deferred tax liability for taxes that would be payable on the unremitted earnings of some of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The taxable temporary differences associated with an investment in subsidiaries, for which deferred tax liabilities have not been recognized, amounted to NT\$36,407 thousand and NT\$76,243 thousand, respectively.

The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2020
Chih-Hung Investment Corporation	Assessed and approved up to 2020
Sheng Bang Investment Corporation	Assessed and approved up to 2020
Grain Media Inc.	Assessed and approved up to 2020
Innopower Technology Corporation	Assessed and approved up to 2020
Artery Technology Company	Assessed and approved up to 2020

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(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$2,454,597	\$1,155,930
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share (NT\$)	\$9.88	\$4.65
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$2,454,597	\$1,155,930
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	2,682	827
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	251,232	249,377
Diluted earnings per share (NT\$)	\$9.77	\$4.64

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

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7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting years is as follows:

Name and nature of relationship of the related parties	
Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
United Semiconductor Japan Co., Ltd.	Other related parties
HeJian Technology (Suzhou) Co., Ltd.	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties
United Semiconductor (Shandong) Co., Ltd.	Other related parties

Significant transactions with the related parties

(1) Operating revenues

	For the years ended December 31	
	2022	2021
Entity with joint control or significant influence over the Company	\$732,338	\$582,441
Other related parties	86,007	46,083
Total	<u>\$818,345</u>	<u>\$628,524</u>

The Group's sales terms were month-end 30-60 days for non-related parties, while month-end 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

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(2) Purchases

	For the years ended December 31	
	2022	2021
United Microelectronics Corporation	\$3,913,483	\$2,056,531
United Semiconductor (Xiamen) Co., Ltd.	1,490,099	605,828
Other related parties	144,622	78,313
Total	<u>\$5,548,204</u>	<u>\$2,740,672</u>

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are month-end 45-60 days.

(3) Research expenses, other

	For the years ended December 31	
	2022	2021
Entity with joint control or significant influence over the Company	\$24,729	\$15,092
Other related parties	-	14,817
Total	<u>\$24,729</u>	<u>\$29,909</u>

The payment terms from the related party suppliers are month-end 45-60 days.

(4) Research expenses, testing expense

	For the years ended December 31	
	2022	2021
Entity with joint control or significant influence over the Company	\$51	\$3,957
Other related parties	748	288
Total	<u>\$799</u>	<u>\$4,245</u>

The payment terms from the related party suppliers are month-end 45-60 days.

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(5) Accounts receivable - related parties, net

	As of	
	December 31, 2022	December 31, 2021
United Microelectronics Corporation	\$189,927	\$153,567

(6) Accounts payable - related parties

	As of	
	December 31, 2022	December 31, 2021
United Microelectronics Corporation	\$313,455	\$314,642
United Semiconductor (Xiamen) Co., Ltd.	193,127	200,717
Other related parties	3,805	11,919
Total	\$510,387	\$527,278

(7) Other current assets

	As of	
	December 31, 2022	December 31, 2021
Entity with joint control or significant influence over the Company	\$-	\$647
Other related parties	-	839
Total	\$-	\$1,486

(8) Key management personnel compensation

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$189,840	\$111,215
Post-employment benefits	1,359	1,323
Total	\$191,199	\$112,538

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8. Assets Pledged as Collateral

The Group's assets pledged as collateral were as follows:

Assets pledged for security	Carrying amount		Secured liabilities
	2022.12.31	2021.12.31	
Financial assets measured at amortized cost	\$15,072	\$15,050	Custom clearance deposit
Financial assets measured at amortized cost	10,000	-	Science Park Administration land rental deposits
Financial assets measured at amortized cost	590	532	Office rental deposit
Total	<u>\$25,662</u>	<u>\$15,582</u>	

9. Significant Contingencies and Unrecognized Contractual Commitments

None.

10. Losses Due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of	
	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$21,889	\$26,296
Financial assets at fair value through other comprehensive income	1,953,282	2,915,438
Financial assets measured at amortized cost (Note)	6,591,178	6,083,342
Total	<u>\$8,566,349</u>	<u>\$9,025,076</u>

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Financial liabilities

	As of	
	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Held for trading	\$1,896	\$-
Financial liabilities measured at amortized cost:		
Short-term loans	127,241	-
Payables (including related parties)	1,129,323	1,371,925
Other payables	932,802	622,668
Long-term payables	148,827	161,247
Lease liabilities	267,241	218,947
Total	<u>\$2,607,330</u>	<u>\$2,374,787</u>

Note: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivables, refundable deposits and financial assets measured at amortized cost, non-current.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk exposures.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

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In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$63,328 thousand and NT\$43,622 thousand, respectively.

When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$187,897 thousand and NT\$226,922 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily related to the Group's debt instrument investments at variable and fixed interest rates and bank loans with variable interest rates.

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The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and loans with variable interest rates. At the reporting date, a change of 10% of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to decrease/increase by NT\$4,815 thousand and NT\$4,952 thousand, respectively.

Equity price risk

The Group's unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's unlisted equity securities and other investment are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2022 and 2021, top ten customers represented 61% and 48% of the total contract assets and accounts receivable of the Group, respectively. The credit concentration risk of other contract assets and accounts receivable is insignificant.

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Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Group are described as follows:

				Gross carrying amount	
				As of	
Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	December 31, 2022	December 31, 2021
Simplified approach	Not applicable	Lifetime expected credit losses	0%-100%	\$1,389,282	\$1,013,182
(Note)					

Note: By using simplified approach loss allowance (lifetime expected credit losses) is measured at contract assets, notes receivable and accounts receivable.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

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Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>As of December 31, 2022</u>					
Short-term loans	\$128,124	\$-	\$-	\$-	\$128,124
Payables (including related parties)	1,129,323	-	-	-	1,129,323
Other payables	932,802	-	-	-	932,802
Long-term payables	-	142,796	6,031	-	148,827
Lease liabilities	52,337	43,662	15,973	231,614	343,586
<u>As of December 31, 2021</u>					
Payables (including related parties)	\$1,371,925	\$-	\$-	\$-	\$1,371,925
Other payables	622,668	-	-	-	622,668
Long-term payables	-	161,247	-	-	161,247
Lease liabilities	20,454	28,000	15,909	238,635	302,998

Derivative financial assets (liabilities)

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>As of December 31, 2022</u>					
Inflows	\$432,246	\$-	\$-	\$-	\$432,246
Outflows	(434,142)	-	-	-	(434,142)
Net	<u><u>\$(1,896)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$(1,896)</u></u>
<u>As of December 31, 2021</u>					
Inflows	\$69,831	\$-	\$-	\$-	\$69,831
Outflows	(68,407)	-	-	-	(68,407)
Net	<u><u>\$1,424</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$1,424</u></u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2022:

	<u>Short-term loans</u>	<u>Lease liabilities</u>
As of January 1, 2022	\$-	\$218,947
Cash flows	127,241	(38,744)
Non-cash flows		
Additions	-	89,242
Lease modification	-	(3,032)
Exchange rate changes	-	828
As of December 31, 2022	<u>\$127,241</u>	<u>\$267,241</u>

Reconciliation of liabilities for year ended December 31, 2021:

	<u>Lease liabilities</u>
As of January 1, 2021	\$242,411
Cash flows	(39,165)
Non-cash flows	
Additions	16,146
Lease modification	363
Exchange rate changes	(808)
As of December 31, 2021	<u>\$218,947</u>

(7) Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, notes receivable and accounts receivable, other receivables, short-term loans, accounts payable and other payables approximate their fair value due to their short maturities.

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- ii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is estimated using the market approach or asset approach based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information.
- iii. The financial assets measured at amortized cost, long-term payables and lease liabilities are determined by discounted cash flow analysis. The Group estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.
- iv. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

b. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2022 and 2021 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
<u>As of December 31, 2022</u>		
Forward currency contract	Sell USD 20,000 thousand	From 2022.12.06 to 2023.01.17
Forward currency contract	Sell RMB 15,000 thousand	From 2022.12.09 to 2023.01.13

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Items (by contract)	Notional Amount	Contract Period
<u>As of December 31, 2021</u>		
Forward currency contract	Sell USD 12,000 thousand	From 2021.11.30 to 2022.01.20
Forward currency contract	Sell RMB 8,000 thousand	From 2021.12.07 to 2022.01.18

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

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As of December 31, 2022:

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value:</u>				
Financial assets at fair value through profit or loss				
Funds	\$-	\$-	\$21,889	\$21,889
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	1,953,282	1,953,282
<u>Financial liabilities at fair value:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$1,896	\$-	\$1,896

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$1,424	\$-	\$1,424
Funds	-	-	24,872	24,872
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	2,915,438	2,915,438

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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Movements of fair value measurement in Level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets		Total
	At fair value through profit or loss	At fair value through other comprehensive income	
	Funds	Stocks	
As of January 1, 2022	\$24,872	\$2,915,438	\$2,940,310
Total gains and losses recognized for the year ended December 31, 2022:			
Amount recognized in profit or loss ("other gains or losses")	(2,983)	-	(2,983)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	(962,156)	(962,156)
As of December 31, 2022	\$21,889	\$1,953,282	\$1,975,171

	Assets		Total
	At fair value through profit or loss	At fair value through other comprehensive income	
	Funds	Stocks	
As of January 1, 2021	\$23,497	\$2,245,962	\$2,269,459
Total gains and losses recognized for the year ended December 31, 2021:			
Amount recognized in profit or loss ("other gains or losses")	1,375	-	1,375
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	669,476	669,476
As of December 31, 2021	\$24,872	\$2,915,438	\$2,940,310

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Recognized as gain (loss) above, the (loss) gain from financial assets still held by the Group as of December 31, 2022 and 2021 was NT\$(2,983) thousand and NT\$1,375 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value					
through other comprehensive income					
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/increase in the Group's equity by NT\$195,328 thousand

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value					
through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$2,814 thousand

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	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Preferred Stocks	Income approach and option pricing model	Discount for lack of marketability	27%-40%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$797 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/increase in the Group's equity by NT\$287,933 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Unit: in thousands					
	As of December 31, 2022			As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	\$43,993	30.70	\$1,350,601	\$58,278	27.67	\$1,612,547
RMB	433,911	4.409	1,913,112	524,456	4.345	2,278,764

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Unit: in thousands

	As of December 31, 2022			As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial liabilities						
Monetary items:						
USD	\$23,365	30.70	\$717,317	\$42,513	27.67	\$1,176,331
RMB	7,744	4.409	34,144	2,196	4.345	9,542

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of functional currencies transactions within the Group, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain was NT\$11,736 thousand and NT\$9,429 thousand for the years ended December 31, 2022 and 2021, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Group for the year ended December 31, 2022:

(a) Financing provided to others for the year ended December 31, 2022: None.

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- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 1.
 - (c) Securities held as of December 31, 2022: Please refer to Attachment 2.
 - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 3.
 - (h) Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2022: Please refer to Attachment 4.
 - (i) Trading in derivative instruments: Please refer to Note 12.
 - (j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 5.
- (2) Information on investees
- Information on investees which significant influenced or controlled by the Group: Please refer to Attachment 6.
- (3) Information on investments in Mainland China
- (a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

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- (b) Significant transaction to investee company in Mainland China for the year ended December 31, 2022:
- i. Purchases amount and percentage, and related ending balance and percentage of payables: None.
 - ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 5.
 - iii. Property transaction amount and occurred gain (loss): None.
 - iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.
 - v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.
 - vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 5.

(4) Major shareholder information

Please refer to Attachment 8.

14. Segment information

(1) General Information

The products of the Company and its subsidiaries are all related to integrated circuit design products and the chief operating decision maker reviews the Group's operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.

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(2) Geographical information

a. Revenue from external customers

	For the years ended December 31	
	2022	2021
China	\$6,115,226	\$3,859,833
Taiwan	2,582,942	2,009,911
Japan	1,395,699	712,652
United States	399,811	357,283
Others	2,571,477	1,145,522
Total	<u>\$13,065,155</u>	<u>\$8,085,201</u>

The revenue information above is based on the locations of the customers.

b. Non-current assets

	As of	
	December 31, 2022	December 31, 2021
Taiwan	\$1,397,054	\$1,301,396
Others	134,019	96,809
Total	<u>\$1,531,073</u>	<u>\$1,398,205</u>

c. Major customers information

Individual customers accounting for at least 10% of net sales: None.

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ATTACHMENT 1 (Endorsement/Guarantee provided to others for the year period ended December 31, 2022)

Unit: New Taiwan Dollars in thousands and RMB in dollars

No. (Note 1)	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance (Note 4)	Actual amount provided	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note 3)	Endorsement guarantee from parent company to subsidiary	Endorsement guarantee from the subsidiary to the parent company	Endorsement guarantee for mainland areas
		Company name	Relationship (Note 2)										
1	Artery Technology Corporation	Artery Technology Corporation, Ltd.	4	\$392,888	\$75,837 (RMB 17,000,000)	\$74,698 (RMB 17,000,000)	\$74,698	\$-	8.56%	\$392,888	N	N	Y

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: There are the following 7 types of relationships between the endorsement guarantor and the object of the endorsement, and the type can be indicated:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the regulations of Artery Technology Corporation's endorsement guarantee operation method:

1. Limit of total guarantee/endorsement amount shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
2. The amount of endorsements/guarantees for any single entity shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
3. Artery Technology Corporation and its subsidiaries endorsements/guarantees to others shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
4. Artery Technology Corporation and its subsidiaries endorsements/guarantees for any single entity shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
5. The amount of endorsements/guarantees for a company which endorsor/guarantor does business with, except the ceiling rules abovementioned shall not exceed the needed amounts arising from business dealings which is the higher amount of total sales or purchase transactions between endorsor/guarantor and the receiving party.

Note 4: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using customs administration's average exchange rate in December 2022.

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ATTACHMENT 2 (Securities held as of December 31, 2022) (Excluding subsidiaries and associates)

Faraday Technology Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2022				
				Units/shares	Carrying amount	Percentage of ownership (%)	Fair value	Note
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	267,271,834	\$1,815,315	12.12%	\$1,815,315	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2,500,000	45,756	5.00%	45,756	-

Chih-Hung Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2022				
				Units/shares	Carrying amount	Percentage of ownership (%)	Fair value	Note
Preferred stock	Aviacomm Ltd.	-	Financial assets at fair value through profit or loss, non-current	14,600,000		12.60%		-
Common Stock				1,714,285	\$-		\$-	
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, non-current	59,167	-	0.70%	-	-
Common Stock	APM Communication, Inc.	-	Financial assets at fair value through profit or loss, non-current	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	-	9.53%	-	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, non-current	1,200,000	-	4.64%	-	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, non-current	44,312,575	-	7.76%	-	-
Preferred stock	Floodia	-	Financial assets at fair value through other comprehensive income, non-current	1,818	-	8.82%	-	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	63,288	15.00%	63,288	-

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ATTACHMENT 2 (Securities held as of December 31, 2022) (Excluding subsidiaries and associates)

Sheng Bang Investment Corporation

				As of December 31, 2022				
Type of securities	Name of securities	Relationship	Financial statement account	Units/shares	Carrying amount	Percentage of ownership (%)	Fair value	Note
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, current	10,000	\$21,889	-	\$21,889	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	800,000	-	1.33%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	20,408	19.67%	20,408	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, non-current	-	8,515	8.50%	8,515	-

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ATTACHMENT 3 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock)

Faraday Technology Corporation

Counter-party	Relationship	Transactions					Notes and accounts receivable (payable)		
		Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Details of non-arm's length transaction	Balance	Percentage of total receivables (payable)	Note
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	\$3,445,529	65.86%	Month-end 60 days	-	\$265,996	25.45%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	730,676	6.37%	Month-end 60 days	-	189,300	12.14%	-
United Semiconductor (Xiamen) Co., Ltd.	Other related parties	Purchases	1,309,066	25.02%	Month-end 60 days	-	162,231	15.52%	-
HeJian Technology (Suzhou) Co., Ltd.	Other related parties	Purchases	121,393	2.32%	Month-end 60 days	-	435	0.04%	-

Artery Technology Corporation, Ltd.

Counter-party	Relationship	Transactions					Notes and accounts receivable (payable)		
		Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Details of non-arm's length transaction	Balance	Percentage of total receivables (payable)	Note
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	\$402,443	28.67%	Month-end 60 days	-	\$47,459	35.57%	-

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ATTACHMENT 4 (Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	\$189,300	4.27	\$-	-	\$121,601	\$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.

Note 2: The capital stock is the parent's capital stock.

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ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2022

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Operating revenue	\$1,412,099	Note 4	10.81%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expenses	51,312	According to the contract	0.39%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	422,669	Month-end 60 days	3.13%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other receivables	367	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other payables	12,468	Month-end 60 days	0.09%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Contract liabilities	8,250	According to the contract	0.06%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Operating revenue	1,122,182	Note 4	8.59%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	109,894	Month-end 60 days	0.81%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Contract liabilities	312	According to the contract	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expenses	22,534	According to the contract	0.17%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Operating revenue	408,792	Note 5	3.13%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	64,553	Month-end 60 days	0.48%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Operating revenue	1,216,159	Note 5	9.31%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	4,075	According to the contract	0.03%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	113,645	Month-end 60 days	0.84%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	5,073	Month-end 60 days	0.04%

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ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	\$32,454	According to the contract	0.24%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Operating revenue	1,986	Note 5	0.02%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Operating revenue	530,797	Note 5	4.06%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract Assets	10,421	According to the contract	0.08%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Accounts receivable	22,046	Month-end 60 days	0.16%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Operating revenue	128,698	Note 5	0.99%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Operating revenue	365,836	Note 5	2.80%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Accounts receivable	188,551	Month-end 60 days	1.40%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other receivables	68,721	Month-end 60 days	0.51%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Company	1	Operating revenue	329,742	Note 5	2.52%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	15,876	Month-end 60 days	0.12%
0	Faraday Technology Corporation	Artery Technology Company	1	Research expenses	6,201	According to the contract	0.05%
0	Faraday Technology Corporation	United Business Service Corporation	1	Operating revenue	58,934	Note 5	0.45%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Research expenses	83,848	According to the contract	0.64%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Other current assets	41,371	Month-end 60 days	0.31%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Operating revenue	138,152	Note 5	1.06%

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ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Operating revenue	\$55,843	Note 5	0.43%
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Accounts receivable	3,267	Month-end 60 days	0.03%
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Purchases	751	Note 5	-
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Accounts payables	353	Month-end 60 days	-

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, the sales price was determined through mutual agreement.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Related information of investee companies)

Faraday Technology Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount		
Faraday Technology Corporation (USA)	California, USA	Sales representative in America	\$371,224	\$436,907	Common stock 97,218 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	\$248,833	\$54,229	\$54,229
Faraday Technology Corp. (B.V.I.)	British Virgin Islands	General investing	855,770	855,770	Common stock 27,489 thousand shares	100.00%	851,949	150,428	150,428
Faraday Technology Japan Corporation	Tokyo, Japan	Sales representative in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	174,325	77,150	77,111
Chih-Hung Investment Corporation	Taiwan	General Investing	539,500	620,000	Common stock 53,950 thousand shares	100.00%	451,187	31,034	31,034
Sheng Bang Investment Corporation	Taiwan	General Investing	102,020	222,020	Common stock 10,202 thousand shares	100.00%	75,663	(1,064)	(1,064)
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	9,287	-	100.00%	18,285	3,356	3,356
Sinble Technology Pte. Ltd.	Singapore	IC design services	- (Note 2)	-	-	100.00%	-	-	-

Chih-Hung Investment Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$1,456	\$1,456	Common stock 146 thousand shares	19.42%	\$1,117	\$(62)	\$(12)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 31,970 thousand shares	100.00%	372,376	31,392	31,292
FaradayTek Solutions India Private Limited	India	IC design services	45	45	Common stock 10 thousand shares	1.00%	93	2,157	22

Sheng Bang Investment Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$6,044	\$6,044	Common stock 604 thousand shares	80.58%	\$4,635	\$(62)	\$(50)
FaradayTek Solutions India Private Limited	India	IC design services	4,462	4,462	Common stock 990 thousand shares	99.00%	9,210	2,157	2,135

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Related information of investee companies)

Innopower Technology Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022				
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount	Net income (loss) of investee company	Investment income (loss) recognized
Bright Capital Group Limited (BCGL)	Samoa	General investing	\$68,593	\$68,593	Common stock 2,301 thousand shares	100.00%	\$410,971	\$44,924	\$44,924

Faraday Technology Corp. (B.V.I.)

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022				
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount	Net income (loss) of investee company	Investment income (loss) recognized
Faraday Technology (Mauritius) Corp.	Mauritius	General investing	USD \$12,859,205	USD \$12,859,205	Common stock 12,804 thousand shares	100.00%	\$147,690	\$30,589	\$30,589
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,379	450	450
Faraday Technology (Samoa) Corp.	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	205,176	29,460	29,460
Artery Technology Corporation	Cayman	General investing	USD 9,809,000	USD 9,809,000	Common stock 31,149 thousand shares	60.87%	449,811	142,783	86,912

Artery Technology Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022				
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount	Net income (loss) of investee company	Investment income (loss) recognized
Artery Technology Company	Taiwan	IC designing, marketing and customer service	\$171,141	\$171,141	Common stock 17,114 thousand shares	60.87% (Note 3)	\$150,970	\$75,345	\$45,863

Note 1: USD are expressed in dollars.

Note 2: The Company established Sinble Technology Pte. Ltd. in November 2022, and completed capital injection of NT\$179,400 thousand in January 2023.

Note 3: The Company owns 100% of Faraday Technology Corp. (B.V.I.) and Faraday Technology Corp. (B.V.I.) owns 60.87% of Artery Technology Corporation. Artery Technology Corporation owns 100% of Artery Technology Company; therefore, the Group's shareholding of Artery Technology Company is 60.87%.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 7 (Investment in Mainland China)

Unit: New Taiwan Dollars in thousands, USD and RMB in dollars

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Faraday Technology China Corporation	IC designing, marketing and customer service	\$184,200 (USD 6,000,000)	Note 1, 3	\$184,200 (USD 6,000,000)	\$-	\$-	\$184,200 (USD 6,000,000)	\$30,356	100.00%	\$30,356 Note 8 (2)	\$145,414	\$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	178,060 (USD 5,800,000)	Note 4	178,060 (USD 5,800,000)	-	-	178,060 (USD 5,800,000)	44,924	100.00%	44,924 Note 8 (2)	410,970	-
United Business Service Corporation	IC designing, marketing and customer service	132,270 (RMB 30,000,000)	Note 1	132,270 (RMB 30,000,000)	-	-	132,270 (RMB 30,000,000)	29,460	100.00%	29,460 Note 8 (2)	205,174	-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	367,172 (USD 11,960,000)	Note 1, 5, 6	184,010 (USD 5,993,815)	-	-	184,010 (USD 5,993,815)	97,714	60.87%	59,478 Note 8 (1)	352,919	-
United Creative Solution Corporation	IC designing, marketing and customer service	44,090 (RMB 10,000,000)	Note 7	-	-	-	-	18,899	100.00%	18,899 Note 8 (2)	90,424	-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	4,409 (RMB 1,000,000)	Note 7	-	-	-	-	5	100.00%	5 Note 8 (2)	4,413	-

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 7 (Investment in Mainland China)

	Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
	\$691,023 (Note 2) (USD 22,508,882)	\$783,888 (Note 2) (USD 25,533,815)	\$5,159,512
Note 1:	Indirectly investment in Mainland China through subsidiaries of Faraday Technology Corp. (B.V.I.) (registered in a third region) such as Faraday Technology (Mauritius) Corp., Faraday Technology (Samoa) Corp., and Artery Technology Corporation.		
Note 2:	Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2022.		
Note 3:	As of December 31, 2022, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology (Mauritius) Corp. had remitted investment amounted to USD 500 thousand from its owned capital.		
Note 4:	On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of Faraday Technology Corporation (Suzhou) (Mainland China company owned by Faraday Technology (Mauritius) Corp., which owned by Faraday Technology Corp. (B.V.I.)) with USD 602,182 through Bright Capital Group Limited (BCGL). Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.		
Note 5:	As of December 31, 2022, Investment Commission, MOEA approved the total investment amount USD 7,033 thousand , and the Company had remitted USD 5,994 thousand for the investment.		
Note 6:	The Company owns 100% of Faraday Technology Corp. (B.V.I.) and Faraday Technology Corp. (B.V.I.). owns 60.87% in Artery Technology Corporation. The Artery Technology Corporation owns 100% of Artery Technology Corporation, Ltd. ; therefore, the Group's share of profit or loss of Artery Technology Corporation, Ltd. is 60.87%.		
Note 7:	These companies were directly invested by United Business Service Corporation.		
Note 8:	The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis: 1. The financial statements were reviewed by an international certified public accounting firm in cooperation with an R.O.C. accounting firm. 2. The financial statements were reviewed by the auditors of the parent company. 3. Others.		
Note 9:	Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation during the year ended December 31, 2018. The liquidation procedures were completed in 2022.		

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 8 (The information of main shareholders)

Name of major shareholders	Number of ordinary shares	
	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corporation	34,240,213	13.77%

Explanation : If the Company applies to the Taiwan Depository & Clearing Corporation to obtain the information in this form, the following items may be explained in the note of this form.

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or inconsistent.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, includes the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System.

5. Faraday's individual financial report of the most recent year audited by CPAs

Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Faraday Technology Corporation (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

Operating revenues recognized by the Company amounted to NT\$11,466,455 thousand for the year ended December 31, 2022, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$8,833,559 thousand, NT\$1,706,867 thousand and NT\$926,029 thousand, constituting 77.04%, 14.88% and 8.08% of operating revenues, respectively. Revenue is the main operating activity of the Company. Revenue includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information related to client acceptance progress for service provided, and inspecting shipping documents and invoices to verify the accuracy of cut-off revenue time, etc. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4(16) and Note 6(16).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT\$423,158 thousand and NT\$535,301 thousand, representing 3.57% and 5.01% of total assets as of December 31, 2022 and 2021, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$131,340 thousand and NT\$57,321 thousand, representing 4.63% and 4.33% of the net income before tax for the years ended December 31, 2022 and 2021, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$52,660 thousand and NT\$(17,173) thousand, representing (6.02)% and (2.61)% of the other comprehensive income, for the years ended December 31, 2022 and 2021, respectively.

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

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

/s/Yang, Yu-Ni

/s/Hsu, Hsin-Min

Ernst & Young, Taiwan

February 21, 2023

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2022 and December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2022	December 31, 2021			December 31, 2022	December 31, 2021
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$ 2,244,993	\$ 1,885,398	Financial liabilities at fair value through profit or loss, current	4, 6(2)	\$ 1,896	\$ -
Financial assets at fair value through profit or loss, current	4, 6(2)	-	1,424	Contract liabilities, current	4, 6(16), 7	659,335	472,744
Contract assets, current	4, 6(16), 6(17), 7	40,546	75,630	Accounts payable		612,859	836,084
Notes receivable, net	6(17)	-	4,030	Accounts payable - related parties	7	432,172	487,166
Accounts receivable, net	4, 6(4), 6(17)	422,867	349,213	Payables on equipment		7,697	553
Accounts receivable - related parties, net	4, 6(4), 6(17), 7	1,126,534	635,549	Other payables	6(13), 7	807,790	524,795
Other receivables	7	153,948	71,415	Current tax liabilities	4, 6(22)	352,399	132,979
Inventories, net	4, 5, 6(5)	2,340,153	1,208,411	Lease liabilities, current	4, 6(18), 12	6,280	5,972
Other current assets	6(6), 7	210,137	168,232	Other current liabilities		7,921	8,112
Costs to fulfil a contract, current	6(16)	69,859	20,820	Total current liabilities		2,888,349	2,468,405
Total current assets		6,609,037	4,420,122				
Non-current assets				Non-current liabilities			
Financial assets at fair value through other comprehensive income, non-current	4, 6(3)	1,861,071	2,775,807	Deferred tax liabilities	4, 6(22)	15,956	8,475
Financial assets measured at amortized cost, non-current	4, 6(7), 8	25,072	15,050	Lease liabilities, non-current	4, 6(18), 12	188,754	190,900
Investments accounted for using the equity method	4, 6(8)	1,820,242	2,089,256	Long-term payables	6(13)	148,827	161,247
Property, plant and equipment	4, 6(9)	476,181	494,527	Defined benefit liabilities, non-current	4, 6(14)	-	5,088
Right-of-use assets	4, 6(18)	187,717	191,222	Total non-current liabilities		353,537	365,710
Intangible assets	4, 6(10)	569,762	441,312	Total liabilities		3,241,886	2,834,115
Deferred tax assets	4, 6(22)	33,933	17,243	Equity			
Refundable deposits		95,370	67,034	Capital	6(15)		
Defined benefit assets, non-current	4, 6(14)	18,057	-	Common stock		2,485,503	2,485,503
Other non-current assets	6(11)	144,630	162,514	Additional paid-in capital	6(15)	705,700	705,700
Total non-current assets		5,232,035	6,253,965	Retained earnings	6(15)		
				Legal reserve		1,667,419	1,551,782
				Unappropriated earnings		3,262,319	1,727,050
				Other components of equity		478,245	1,369,937
				Total equity		8,599,186	7,839,972
Total assets		<u>\$ 11,841,072</u>	<u>\$ 10,674,087</u>	Total liabilities and equity		<u>\$ 11,841,072</u>	<u>\$ 10,674,087</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31,	
		2022	2021
Operating revenues	4, 6(16), 7	\$ 11,466,455	\$ 6,710,159
Operating costs	6(5), 6(19), 7	(6,341,228)	(3,875,526)
Gross profit		5,125,227	2,834,633
Unrealized gross profit on sales		(52,486)	(994)
Gross profit, net		5,072,741	2,833,639
Operating expenses	6(10), 6(19), 7		
Selling expenses		(228,158)	(151,186)
Administrative expenses		(403,908)	(294,891)
Research and development expenses		(2,001,853)	(1,671,155)
Expected credit (losses) gains	6(17)	(4,927)	6,355
Total operating expenses		(2,638,846)	(2,110,877)
Operating income		2,433,895	722,762
Non-operating income and expenses			
Interest income	6(20)	7,259	2,824
Other income	6(20), 7	97,608	75,993
Other gains and losses	6(20)	(12,052)	(7,027)
Finance costs	6(20)	(4,285)	(4,496)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method		315,094	532,382
Total non-operating income and expenses		403,624	599,676
Income before income tax		2,837,519	1,322,438
Income tax expense	4, 6(22)	(382,922)	(166,508)
Net income		\$ 2,454,597	\$ 1,155,930
Other comprehensive income (loss)	4, 6(21)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		20,657	551
Unrealized (losses) gains from equity instruments investment measured at fair value through other comprehensive income		(914,736)	763,065
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method		(47,420)	(93,589)
Income tax relating to items that will not be reclassified to profit or loss		(4,132)	(110)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		53,847	(12,388)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method		16,617	-
Other comprehensive income (loss) (net of income tax)		(875,167)	657,529
Total comprehensive income		\$ 1,579,430	\$ 1,813,459
Earnings per share (NT\$)	6(23)		
Earnings per share-basic		\$ 9.88	\$ 4.65
Earnings per share-diluted		\$ 9.77	\$ 4.64

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	
Balance as of January 1, 2021	\$ 2,485,503	\$ 724,574	\$ 1,510,216	\$ 369,710	\$ 491,085	\$ (113,671)	\$ 826,520	\$ 6,293,937
Appropriation and distribution of 2020 retained earnings								
Legal reserve	-	-	41,566	-	(41,566)	-	-	-
Cash dividends	-	-	-	-	(248,550)	-	-	(248,550)
Reversal of special reserve	-	-	-	(369,710)	369,710	-	-	-
Net income in 2021	-	-	-	-	1,155,930	-	-	1,155,930
Other comprehensive income (loss) in 2021	-	-	-	-	441	(12,388)	669,476	657,529
Total comprehensive income (loss) in 2021	-	-	-	-	1,156,371	(12,388)	669,476	1,813,459
Change in subsidiaries' ownership	-	(18,874)	-	-	-	-	-	(18,874)
Balance as of December 31, 2021	<u>\$ 2,485,503</u>	<u>\$ 705,700</u>	<u>\$ 1,551,782</u>	<u>\$ -</u>	<u>\$ 1,727,050</u>	<u>\$ (126,059)</u>	<u>\$ 1,495,996</u>	<u>\$ 7,839,972</u>
Balance as of January 1, 2022	\$ 2,485,503	\$ 705,700	\$ 1,551,782	\$ -	\$ 1,727,050	\$ (126,059)	\$ 1,495,996	\$ 7,839,972
Appropriation and distribution of 2021 retained earnings								
Legal reserve	-	-	115,637	-	(115,637)	-	-	-
Cash dividends	-	-	-	-	(820,216)	-	-	(820,216)
Net income in 2022	-	-	-	-	2,454,597	-	-	2,454,597
Other comprehensive income (loss) in 2022	-	-	-	-	16,525	70,464	(962,156)	(875,167)
Total comprehensive income (loss) in 2022	-	-	-	-	2,471,122	70,464	(962,156)	1,579,430
Balance as of December 31, 2022	<u>\$ 2,485,503</u>	<u>\$ 705,700</u>	<u>\$ 1,667,419</u>	<u>\$ -</u>	<u>\$ 3,262,319</u>	<u>\$ (55,595)</u>	<u>\$ 533,840</u>	<u>\$ 8,599,186</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$ 2,837,519	\$ 1,322,438	Acquisition of financial assets measured at amortized cost	\$ (10,022)	\$ (22)
Adjustments for non-cash gain or loss:			Acquisition of investments accounted for using equity method	-	(149,596)
Depreciation	60,849	63,174	Proceeds from capital return of investments accounted for using the equity method	266,183	-
Amortization	289,399	249,553	Acquisition of property, plant and equipment	(60,653)	(33,908)
Expected credit loss (gain)	4,927	(6,355)	Proceeds from disposal of property, plant and equipment	-	63
Loss (gain) on financial assets and liabilities at fair value through profit or loss	3,320	(2,928)	Increase in refundable deposits	(28,336)	(65,611)
Interest expense	4,285	4,496	Acquisition of intangible assets	(321,854)	(222,695)
Interest income	(7,259)	(2,824)	Net cash used in investing activities	(154,682)	(471,769)
Dividend income	(90,321)	(69,730)			
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(315,094)	(532,382)	Cash flows form financing activities:		
Unrealized gross profit on sales	52,486	994	Cash payments for principal portion of the lease liabilities	(6,109)	(5,976)
Changes in operating assets and liabilities:			Cash dividends	(820,216)	(248,550)
Contract assets	35,084	245,897	Net cash used in financing activities	(826,325)	(254,526)
Notes receivable	4,030	(2,670)	Effect of exchange rate changes on cash and cash equivalents	(5,013)	8,510
Accounts receivable	(78,581)	(57,305)			
Accounts receivable - related parties	(490,985)	(219,965)	Net increase in cash and cash equivalents	359,595	641,337
Other receivables	(82,302)	79,354	Cash and cash equivalents at beginning of period	1,885,398	1,244,061
Inventories	(1,131,742)	(750,808)	Cash and cash equivalents at end of period	\$ 2,244,993	\$ 1,885,398
Prepayment	52,565	(58,306)			
Other current assets	(43,516)	1,372			
Costs to fulfil a contract	(49,039)	(18,845)			
Contract liabilities	186,591	371,805			
Accounts payable	(223,225)	311,707			
Accounts payable - related parties	(54,994)	269,631			
Other payables	179,593	109,489			
Other current liabilities	(191)	1,567			
Defined benefit liabilities	(2,488)	(2,866)			
Cash generated from operations	1,140,911	1,306,493			
Interest received	7,028	2,671			
Dividend received	378,804	92,390			
Interest paid	(4,285)	(4,496)			
Income tax paid	(176,843)	(37,936)			
Net cash provided by operating activities	\$ 1,345,615	\$ 1,359,122			

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

English Translation of Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and Organization

Faraday Technology Corporation (the “Company”) was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company’s shares are listed on the Taiwan Stock Exchange (“TWSE”). The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements for the years ended December 31, 2022 and 2021 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on February 21, 2023.

3. Newly Issued or Revised Standards and Interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The aforementioned standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC, and the local effective dates are to be determined by FSC. The aforementioned standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollars (NTD).

Transactions in foreign currencies are initially recorded by the Company at its functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is accounted as equity transactions, no gains or losses are recognized. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with original maturities of one year or less).

(7) Financial instruments

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

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (1) the Company's business model for managing the financial assets and
- (2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (1) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Actual purchase cost on weighted moving average cost basis.

Finished goods and work in progress - Cost of direct materials and manufacturing overheads on weighted moving average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using equity method

According to article 21 of the Regulations, the investments in subsidiaries will be disclosed under "investments accounted for using the equity method" and change in value will be adjusted to comply. The profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using the equity method," "share of profit of subsidiaries and associates accounted for using the equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using the equity method."

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's investment in associates is accounted for using equity method. An associate is an equity over which the Company has significant influence.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *"Impairment of Assets"*. In determining the value in use of the investment, the Company estimates:

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 "*Impairment of Assets*".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "*Property, plant and equipment*". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liabilities for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liabilities on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liabilities by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liabilities;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software
Useful lives	2 - 3 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follows:

Sale of goods

The Company outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Company is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The credit period for the Company's sale of goods is month-end 30-60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Company usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Company has the obligation to transfer the goods subsequently. Accordingly, the Company recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Company provides design services and recognizes revenue by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Company are collected throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. The Company measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is aroused.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Company's intellectual property as it exist throughout the license period, the Company uses straight-line method to recognize revenue during the license period. If the nature of license is not abovementioned, the license provides a right to use the Company's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Company recognizes revenue when the license is granted.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Company has the obligation to provide the services to access or use the Company's intellectual property subsequently. Accordingly, the Company recognizes payments received in advance as contract liabilities.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(5) for more details.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2022	December 31, 2021
Cash		
Cash on hand	\$200	\$200
Checking and savings	449,793	1,075,498
Time deposits	1,665,000	809,700
Cash equivalents-commercial paper with repurchase agreements	130,000	-
Total	<u>\$2,244,993</u>	<u>\$1,885,398</u>

(2) Financial assets and liabilities at fair value through profit or loss

	As of	
	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments- forward currency	\$-	\$1,424
Current	<u>\$-</u>	<u>\$1,424</u>
Financial liabilities held for trading:		
Derivatives not designated as hedging instruments- forward currency	\$1,896	\$-
Current	<u>\$1,896</u>	<u>\$-</u>

Financial assets at fair value through profit or loss were not pledged.

FARADAY TECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Financial assets at fair value through other comprehensive income

	As of	
	December 31, 2022	December 31, 2021
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	\$1,861,071	\$2,775,807

The Company classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

The Company recognized dividend income related to equity instrument investments measured at fair value through other comprehensive income in the amount of NT\$90,321 thousand and NT\$69,730 thousand for the years ended December 31, 2022 and 2021, respectively, which was all related to investments held at the end of the reporting period.

(4) Accounts receivable, net and accounts receivable - related parties, net

	As of	
	December 31, 2022	December 31, 2021
Accounts receivable (gross carrying amount)	\$432,187	\$353,606
Less: loss allowance	(9,320)	(4,393)
Subtotal	422,867	349,213
Accounts receivable - related parties (gross carrying amount)	1,126,534	635,549
Total	\$1,549,401	\$984,762

Accounts receivable were not pledged.

Accounts receivable are generally on 30 - 60 day terms from the date of monthly closing. The gross carrying amount of accounts receivable was NT\$1,558,721 thousand, and NT\$989,155 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(17) for more details on impairment of accounts receivable and Note 12 for credit risk disclosures.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Inventories

	As of	
	December 31, 2022	December 31, 2021
Work in process	\$1,690,082	\$740,270
Finished goods	650,071	468,141
Total	<u>\$2,340,153</u>	<u>\$1,208,411</u>

The cost of inventories recognized in expenses amounted to NT\$6,341,228 thousand and NT\$3,875,526 thousand for the years ended December 31, 2022 and 2021, respectively, including the inventory valuation loss (reversal gain) of NT\$13,014 thousand and NT\$(2,860) thousand, and loss on scrap of inventories of NT\$25,561 thousand and NT\$5,689 thousand for the years ended December 31, 2022 and 2021, respectively. The reversal gain of inventory loss allowance resulted from the sales of previous inventory write-downs during the year ended December 31, 2021.

No inventories were pledged.

(6) Other current assets

	As of	
	December 31, 2022	December 31, 2021
Prepaid royalty fee	\$145,492	\$147,103
Prepaid expenses	44,156	17,236
Others	20,489	3,893
Total	<u>\$210,137</u>	<u>\$168,232</u>

The prepaid royalty fee was primarily attributable to several agreements which the Company entered into for certain software license and silicon intellectual property license.

FARADAY TECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(7) Financial assets measured at amortized cost, non-current

	As of	
	December 31, 2022	December 31, 2021
Time deposit	\$25,072	\$15,050

Financial assets measured at amortized cost is time deposits with original maturities more than one year. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(8) Investments accounted for using the equity method

Investee company	As of			
	December 31, 2022		December 31, 2021	
	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Faraday Technology Corporation (USA)	\$248,833	100.00%	\$437,715	100.00%
Faraday Technology Corp. (B.V.I.)	851,949	100.00%	781,052	100.00%
Faraday Technology Japan Corporation	174,325	99.95%	97,586	99.95%
Chih-Hung Investment Corporation	451,187	100.00%	557,452	100.00%
Sheng Bang Investment Corporation	75,663	100.00%	201,710	100.00%
Faraday Technology Vietnam Company Limited	18,285	100.00%	13,741	100.00%
Sinble Technology Pte. Ltd.	-	100.00%	-	-
Total	<u>\$1,820,242</u>		<u>\$2,089,256</u>	

- The investments in subsidiaries are presented as investments accounted for using the equity method in the parent company only financial report with necessary adjustments.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2. The Company received capital return of NT\$65,683 thousand and cash dividend of NT\$230,460 thousand from Faraday Technology Corporation (USA) during the year ended December 31, 2022.
3. The Company received cash dividend of NT\$38,605 thousand from Faraday Technology Corp. (B.V.I.) during the year ended December 31, 2022.
4. The Company received capital return of NT\$80,500 thousand and cash dividend of NT\$19,418 thousand from Chih-Hung Investment Corporation during the year ended December 31, 2022.
5. The Company received capital return of NT\$120,000 thousand from Sheng Bang Investment Corporation during the year ended December 31, 2022.
6. The Company increased its investment in Faraday Technology Corp. (B.V.I.) by acquiring its shares with NT\$149,596 thousand during the year ended December 31, 2021.
7. The Company received cash dividend of NT\$22,660 thousand from Chih-Hung Investment Corporation during the year ended December 31, 2021.
8. The Company established Sinble Technology Pte. Ltd. in November 2022, and completed capital injection of NT\$179,400 thousand in January 2023.

(9) Property, plant and equipment

	As of	
	December 31, 2022	December 31, 2021
Property, plant and equipment for its own use	\$476,181	\$494,527

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FARADAY TECHNOLOGY CORPORATION

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

		Buildings and		Computer	Office	Miscellaneous	
	Land	facilities	Machinery	equipment	furniture and	equipment	Total
					fixtures		
Cost:							
As of January 1, 2022	\$33,576	\$564,155	\$62,771	\$157,009	\$261	\$975	\$818,747
Additions	-	2,090	5,621	26,186	830	-	34,727
Disposals	-	(6,667)	(3,583)	(82,424)	-	-	(92,674)
As of December 31, 2022	<u>\$33,576</u>	<u>\$559,578</u>	<u>\$64,809</u>	<u>\$100,771</u>	<u>\$1,091</u>	<u>\$975</u>	<u>\$760,800</u>
As of January 1, 2021	\$33,576	\$562,550	\$40,676	\$152,262	\$261	\$675	\$790,000
Additions	-	1,605	22,095	4,817	-	300	28,817
Disposals	-	-	-	(70)	-	-	(70)
As of December 31, 2021	<u>\$33,576</u>	<u>\$564,155</u>	<u>\$62,771</u>	<u>\$157,009</u>	<u>\$261</u>	<u>\$975</u>	<u>\$818,747</u>
Depreciation and impairment:							
As of January 1, 2022	\$-	\$186,713	\$23,054	\$113,986	\$101	\$366	\$324,220
Additions	-	11,370	11,501	29,806	127	269	53,073
Disposals	-	(6,667)	(3,583)	(82,424)	-	-	(92,674)
As of December 31, 2022	<u>\$-</u>	<u>\$191,416</u>	<u>\$30,972</u>	<u>\$61,368</u>	<u>\$228</u>	<u>\$635</u>	<u>\$284,619</u>
As of January 1, 2021	\$-	\$175,027	\$15,262	\$78,266	\$58	\$197	\$268,810
Additions	-	11,686	7,792	35,727	43	169	55,417
Disposals	-	-	-	(7)	-	-	(7)
As of December 31, 2021	<u>\$-</u>	<u>\$186,713</u>	<u>\$23,054</u>	<u>\$113,986</u>	<u>\$101</u>	<u>\$366</u>	<u>\$324,220</u>
Net carrying amount as of:							
December 31, 2022	<u>\$33,576</u>	<u>\$368,162</u>	<u>\$33,837</u>	<u>\$39,403</u>	<u>\$863</u>	<u>\$340</u>	<u>\$476,181</u>
December 31, 2021	<u>\$33,576</u>	<u>\$377,442</u>	<u>\$39,717</u>	<u>\$43,023</u>	<u>\$160</u>	<u>\$609</u>	<u>\$494,527</u>

Note:

a. Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6-16 years, respectively.

b. Property, plant and equipment were not pledged.

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(10) Intangible assets

	Software	
	For the years ended December 31,	
	2022	2021
<u>Cost</u>		
Beginning balance	\$667,543	\$848,445
Addition — acquired separately	412,836	465,439
Decrease — derecognition	(159,312)	(637,830)
Exchange effect	5,013	(8,511)
Ending balance	<u>\$926,080</u>	<u>\$667,543</u>
<u>Accumulated Amortization</u>		
Beginning balance	\$226,231	\$614,508
Amortization	289,399	249,553
Decrease — derecognition	(159,312)	(637,830)
Ending balance	<u>\$356,318</u>	<u>\$226,231</u>
Net carrying amount as of:		
December 31, 2022	<u>\$569,762</u>	
December 31, 2021	<u>\$441,312</u>	

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Research and development expenses	<u>\$289,399</u>	<u>\$249,553</u>

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(11) Other non-current assets

	As of	
	December 31, 2022	December 31, 2021
Long-term prepayments	\$111,560	\$162,514
Prepayment for equipment	33,070	-
Total	<u>\$144,630</u>	<u>\$162,514</u>

The long-term prepayments were primarily attributable to several agreements which the Company entered into for certain silicon intellectual property license.

(12) Short-term payables

The Company's credit limit from short-term loans was NT\$1,367,500 thousand and NT\$891,750 thousand as of December 31, 2022 and 2021, respectively, and all of which was unused.

(13) Long-term payables

The payables were primarily attributable to several agreements which the Company entered into for certain software license. As of December 31, 2022 and 2021, payments for future years are as follows:

Year of payment	As of	
	December 31, 2022	December 31, 2021
2022	\$-	\$323,396
2023	298,091	115,715
2024	97,921	45,532
2025	44,875	-
2026	6,031	-
Subtotal	<u>446,918</u>	<u>484,643</u>
Less: Current portion (Recognized as other payables)	<u>(298,091)</u>	<u>(323,396)</u>
Total	<u>\$148,827</u>	<u>\$161,247</u>

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(14) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$45,161 thousand and NT\$42,849 thousand, respectively.

Defined benefit plan

The Company adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company would make up the difference in one appropriation before the end of March the following year.

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$3,566 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

The average duration of the defined benefits plan obligation is 11 years and 12 years as of December 31, 2022 and 2021, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	\$1,065	\$763
Net interest expense on the net defined benefit liabilities	21	26
Total	\$1,086	\$789

Present value of defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Present value of defined benefit obligation	\$122,777	\$139,999	\$138,912
Fair value of plan assets	(140,834)	(134,911)	(130,517)
Net defined benefit (assets) liabilities, non-current	\$(18,057)	\$5,088	\$8,395

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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2021	\$138,912	\$(130,517)	\$8,395
Current service costs	763	-	763
Net interest expense (income)	533	(507)	26
Subtotal	140,208	(131,024)	9,184
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	1,357	-	1,357
Remeasurements of defined benefit asset	-	(2,382)	(2,382)
Subtotal	1,831	(2,382)	(551)
Benefits paid	(2,040)	2,040	-
Contributions by employer	-	(3,545)	(3,545)
As of December 31, 2021	\$139,999	\$(134,911)	\$5,088
Current service costs	1,065	-	1,065
Net interest expense (income)	702	(681)	21
Subtotal	141,766	(135,592)	6,174
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(10,122)	-	(10,122)
Experience adjustments	(738)	-	(738)
Remeasurements of defined benefit asset	-	(9,797)	(9,797)
Subtotal	(10,860)	(9,797)	(20,657)
Benefits paid	(8,129)	8,129	-
Contributions by employer	-	(3,574)	(3,574)
As of December 31, 2022	\$122,777	\$(140,834)	\$(18,057)

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2022	December 31, 2021
Discount rate	1.6970%	0.5010%
Expected rate of salary increases	3.50%	3.00%

A sensitivity analysis for significant assumption as of December 31, 2022 and 2021 is as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$3,300	\$-	\$4,020
Discount rate decrease by 0.25%	3,421	-	4,177	-
Expected rate of salary increase by 0.5%	6,711	-	8,152	-
Expected rate of salary decrease by 0.5%	-	6,312	-	7,637

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(15) Equity

A. Capital stock

The Company's authorized capital was NT\$6,000,000 thousand, divided into 600,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options), as of December 31, 2022 and 2021, each at a par value of NT\$10.

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The Company's issued capital was NT\$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2022 and 2021. Each share has one voting right and a right to receive dividends.

B. Additional paid-in capital

	As of	
	December 31, 2022	December 31, 2021
Premiums in excess of par	\$594,782	\$594,782
Change in subsidiaries' ownership	108,352	108,352
Employee stock option and others	2,566	2,566
Total	<u>\$705,700</u>	<u>\$705,700</u>

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Reserve for tax payments;
- b. Offset accumulated losses in previous years, if any;
- c. Legal reserve, which is 10% of leftover profits;
- d. Allocation or reverse of special reserves as required by law or government authorities;
- e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. Except partial retained earnings will be distributed in future years, the distribution proposal is resolved by shareholder's meeting.

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The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on February 21, 2023 and May 24, 2022, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$247,112	\$115,637	\$-	\$-
Common stock-cash dividend	1,242,752	820,216	5.0	3.3

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Please refer to Note 6(19) for more details on employees' compensations and the remunerations to directors.

(16) Operating revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2022 and 2021 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2022	2021
Sale of goods	\$8,833,559	\$4,729,306
Rendering of services	1,706,867	1,341,146
Silicon intellectual property license	926,029	639,707
Total	<u>\$11,466,455</u>	<u>\$6,710,159</u>
Revenue recognition point:		
At a point in time	\$9,705,827	\$5,312,782
Over time	1,760,628	1,397,377
Total	<u>\$11,466,455</u>	<u>\$6,710,159</u>

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Rendering of services	<u>\$40,546</u>	<u>\$75,630</u>	<u>\$315,431</u>

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The significant changes in the Company's balances of contract assets for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
The opening balance transferred to accounts receivable	\$75,630	\$315,431
Change in the progress of completion	35,044	54,852
Exchange rate changes	5,502	14,682
Reversal of impairment	-	6,096

B. Contract liabilities – current

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Sales of goods	\$309,242	\$317,543	\$95,839
Rendering of services	234,050	154,966	2,874
Silicon intellectual property license	116,043	235	2,226
Total	\$659,335	\$472,744	\$100,939

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
The opening balance transferred to revenue	\$71,185	\$99,740
Increase in receipts in advance during the period (netting the amount incurred and transferred to revenue during the same period)	257,776	471,545

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C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2022 and 2021, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amount of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license is NT\$2,356,026 thousand and NT\$2,433,263 thousand, respectively. The Company will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfil a contract

	As of	
	December 31, 2022	December 31, 2021
Costs to fulfil a contract, current	\$69,859	\$20,820

The costs to fulfil a contract are the costs incurred by the Company for non-recurring engineering projects, and will be recognized as operating costs when the performance obligations are satisfied.

For the years ended December 31, 2022 and 2021, amortization expenses amounted to NT\$140,793 thousand and NT\$7,855 thousand are recognized as operating costs, respectively.

(17) Expected credit (losses) gain

	For the years ended December 31,	
	2022	2021
Operating expenses – Expected credit (losses) gain		
Contract assets	\$-	\$6,096
Accounts receivable	(4,927)	259
Total	\$(4,927)	\$6,355

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Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and accounts receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Company's loss allowance as of December 31, 2022 and 2021 are as follows:

- i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follows:

	As of	
	December 31, 2022	December 31, 2021
Gross carrying amount	\$43,589	\$78,673
Expected credit loss rates	0%~100%	0%~100%
Loss allowance	(3,043)	(3,043)
Carry amount	\$40,546	\$75,630

- ii. the Company considers the grouping of accounts receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follows:

2022.12.31

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$1,258,542	\$126,522	\$27,447	\$137,036	\$189	\$8,985	\$1,558,721
Expected credit loss rates	-%	-%	0%~2%	0%~10%	0%~50%	0%~100%	
Lifetime expected credit losses	-	-	335	-	-	8,985	9,320
Subtotal	\$1,258,542	\$126,522	\$27,112	\$137,036	\$189	\$-	\$1,549,401

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	Not yet due	Overdue					Total
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$904,735	\$7,076	\$30,643	\$46,342	\$4	\$4,385	\$993,185
Expected credit loss rates	-%	-%	0%~2%	0%~10%	0%~50%	0%~100%	
Lifetime expected credit losses	-	-	2	6	-	4,385	4,393
Subtotal	\$904,735	\$7,076	\$30,641	\$46,336	\$4	\$-	\$988,792

Note: All of the Company's notes receivable are not yet due.

iii. The movements in the provision for impairment of contract assets and accounts receivable for the years ended December 31, 2022 and 2021 are as follows:

	Contract assets	Accounts receivable
As of January 1, 2022	\$3,043	\$4,393
Increase for the current period	-	4,927
As of December 31, 2022	\$3,043	\$9,320
As of January 1, 2021	\$9,139	\$4,652
Reversal for the current period	(6,096)	(259)
As of December 31, 2021	\$3,043	\$4,393

(18) Leases

The Company as lessee

The Company leases various properties, including real estate such as land and buildings, transportation equipment and office equipment. These leases have terms between 2 and 38 years.

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The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2022	December 31, 2021
Land	\$184,664	\$186,208
Buildings and facilities	1,074	2,247
Transportation equipment	1,617	2,758
Office equipment	362	9
Total	<u>\$187,717</u>	<u>\$191,222</u>

During the years ended December 31, 2022 and 2021, the additions to right-of-use assets of the Company amounted to NT\$4,271 thousand and NT\$3,329 thousand, respectively.

(b) Lease liabilities

	As of	
	December 31, 2022	December 31, 2021
Lease liabilities	<u>\$195,034</u>	<u>\$196,872</u>
Lease liabilities-current	\$6,280	\$5,972
Lease liabilities-noncurrent	<u>188,754</u>	<u>190,900</u>
Total	<u>\$195,034</u>	<u>\$196,872</u>

Please refer to Note 6(20) for the interest on lease liabilities recognized during the years ended December 31, 2022 and 2021 and refer to Note 12(5) for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

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B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2022	2021
Land	\$5,431	\$5,320
Buildings and facilities	1,173	1,172
Transportation equipment	1,141	1,154
Office equipment	31	111
Total	<u>\$7,776</u>	<u>\$7,757</u>

C. Income and costs relating to leasing activities

	For the years ended December 31	
	2022	2021
The expense relating to short-term leases	<u>\$218</u>	<u>\$218</u>

D. Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounted to NT\$10,612 thousand and NT\$10,472 thousand, respectively.

E. Other information relating to leasing activities

Extension option

Some of the Company's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with period covered by an option to extend the lease if the Company is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

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(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$72,614	\$1,615,529	\$1,688,143	\$53,998	\$1,220,765	\$1,274,763
Labor and health insurance	4,313	79,220	83,533	3,645	64,667	68,312
Pension	2,436	43,811	46,247	2,147	41,491	43,638
Remuneration to directors	-	14,172	14,172	-	9,283	9,283
Others	1,345	23,523	24,868	1,106	20,429	21,535
Depreciation	1,048	59,801	60,849	1,035	62,139	63,174
Amortization	-	289,399	289,399	-	249,553	249,553

(1) The average number of employees of the Company was 598 and 584 for the years ended December 31, 2022 and 2021, respectively, including 5 non-employee directors for the years ended December 31, 2022 and 2021.

(2) Listed companies need to disclose the following additional information:

A. The average employee benefits expense for the current year was NT\$3,108 thousand, and the average employee benefits expense for the previous year was NT\$2,432 thousand.

B. The average employee salaries for the current year was NT\$2,848 thousand, and the average employee salaries for the previous year was NT\$2,202 thousand.

C. The Company's average salary expense adjustment increased by 29%.

D. The Company's Audit Committee has established to fulfill the supervisors' function and therefore the supervisors' remuneration for the years ended December 31, 2022 and 2021 were both nil.

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E. The Company set the directors' compensation policy in its Article of Incorporation in Article 27-1: The Company shall allocate no more than 2% of profit as directors' compensation for each profitable fiscal year after offsetting any cumulative losses. According to Article 16 of the Company's Article of Incorporation, the Board of Directors will calculate the directors' remuneration regardless in the profit or loss by referencing individual's involvement in operations and contributions with benchmarking to market compensation surveys.

The compensation of the executives of the Company is guided in accordance with Performance Management Policy. Executives' compensation packages are calculated by taking into consideration these individuals' achievements in the key performance indicators and contributions to the Company's overall operations, bench-marking industry averages. The Compensation Committee shall review the proposals prepared by Human Resources and subsequently reward the Executives with the approval of the Board of Directors.

Compensation and Remuneration Policy of the Company is based on individuals' competency, contributions, and performance results, which is positively related to the Company's overall performance. The compensation and remuneration are primarily the combination of base salary, incentive & profit sharing, and benefits. Base salary is determined by roles & responsibilities, competency in the market, and policy of the Company. Incentives & profit sharing are in relation to individual contribution, departmental achievements or the Company's performance. Benefits are designed not only in accordance with laws and government regulations but also to meet individual's need, providing all employees with mutual welfare conditions.

According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. However, before distributing employees' compensation and remuneration to directors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on profit of the year ended December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors to be NT\$367,486 thousand and NT\$6,333 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors to be NT\$367,486 thousand and NT\$6,333 thousand for the year ended December 31, 2022.

Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors to be NT\$173,361 thousand and NT\$1,290 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors to be NT\$173,361 thousand and NT\$1,290 thousand for the year ended December 31, 2021.

A resolution was approved in a meeting of the Board of Directors held on February 21, 2023 to distribute NT\$367,486 thousand and NT\$6,333 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no differences between the aforementioned approved amounts and the amounts charged against earnings in 2022.

A resolution was approved in a meeting of the Board of Directors held on February 22, 2022 to distribute NT\$173,361 thousand and NT\$1,929 thousand in cash as employees' compensation and remuneration to directors, respectively. There are no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2021. The main difference was a change in estimates and was recognized in profit or loss during the year ended December 31, 2022.

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(20) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$7,259	\$2,824

B. Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$90,321	\$69,730
Rental income	2,014	1,079
Others	5,273	5,184
Total	\$97,608	\$75,993

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains	\$1,763	\$7,339
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(3,320)	2,928
Others	(10,495)	(17,294)
Total	\$(12,052)	\$(7,027)

D. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	\$4,285	\$4,496

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(21) Components of other comprehensive income

For the year ended December 31, 2022

		Reclassification	Other	Income tax relating	Other
	Arising during	adjustments	comprehensive	to components of	comprehensive
	the period	during the period	income, before	other comprehensive	income,
			tax	income	net of tax
Items that will not be reclassified					
subsequently to profit or loss:					
Remeasurements of defined benefit					
plans	\$20,657	\$-	\$20,657	\$(4,132)	\$16,525
Unrealized gains or losses from					
equity instruments investments					
measured at fair value through					
other comprehensive income	(914,736)	-	(914,736)	-	(914,736)
Share of other comprehensive					
income of subsidiaries and					
associates accounted for using the					
equity method	(47,420)	-	(47,420)	-	(47,420)
Items that may be reclassified					
subsequently to profit or loss:					
Exchange differences on translation of					
foreign operations	53,847	-	53,847	-	53,847
Share of other comprehensive					
income of subsidiaries and					
associates accounted for using the					
equity method	16,617	-	16,617	-	16,617
Total other comprehensive income	<u>\$(871,035)</u>	<u>\$-</u>	<u>\$(871,035)</u>	<u>\$(4,132)</u>	<u>\$(875,167)</u>

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For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$551	\$-	\$551	\$(110)	\$441
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income	763,065	-	763,065	-	763,065
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(93,589)	-	(93,589)	-	(93,589)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(12,388)	-	(12,388)	-	(12,388)
Total of other comprehensive income	\$657,639	\$-	\$657,639	\$(110)	\$657,529

(22) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31	
	2022	2021
Current income tax expense:		
Current income tax payable	\$396,263	\$138,269
Adjustments in respect of current income tax of prior periods	-	1,574
Deferred tax expense (income):		
Deferred tax expense (income) related to origination and reversal of temporary differences	(13,341)	26,665
Total income tax expense	\$382,922	\$166,508

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Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2022	2021
Deferred tax expense:		
Remeasurements of defined benefit plans	\$4,132	\$110

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2022	2021
Accounting profit before tax from continuing operations	\$2,837,519	\$1,322,438
Tax at the domestic rates applicable to profits in the country concerned	\$567,504	\$264,488
Tax effect of revenues exempted from taxation	(24,058)	(34,816)
Tax effect of deferred tax assets/liabilities	(56,864)	(66,541)
Tax effect of withholding tax under other tax jurisdiction	20,984	11,520
Adjustments in respect of current income tax of prior periods	-	1,574
Tax credits	(130,000)	(11,000)
Others	5,356	1,283
Total income tax expense recognized in profit or loss	\$382,922	\$166,508

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2022
Temporary differences					
Unrealized exchange loss	\$625	\$1,786	\$-	\$-	\$2,411
Unrealized exchange gain	(7,992)	7,992	-	-	-
Unrealized allowance for inventory valuation and obsolescence losses	10,631	2,603	-	-	13,234
Valuation gain/loss on financial assets/liabilities at fair value through profit or loss	(285)	664	-	-	379
Defined benefit liabilities	1,017	3,115	(4,132)	-	-
Unrealized asset impairment losses	2,970	-	-	-	2,970
Unrealized (realized) gain from sales	(198)	11,871	-	-	11,673
Unrealized bad debt expense	2,000	1,266	-	-	3,266
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	-	(15,956)	-	-	(15,956)
Deferred tax expense		\$13,341	\$(4,132)	\$-	
Net deferred tax assets/(liabilities)	\$8,768				\$17,977
Reflected in balance sheet as follows:					
Deferred tax assets	\$17,243				\$33,933
Deferred tax liabilities	\$(8,475)				\$(15,956)

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For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2021
Temporary differences					
Unrealized exchange loss	\$5,048	\$(4,423)	\$-	\$-	\$625
Unrealized exchange gain	(6,133)	(1,859)	-	-	(7,992)
Unrealized allowance for inventory valuation and obsolescence losses	11,203	(572)	-	-	10,631
Valuation gain/loss on financial assets/liabilities at fair value through profit or loss	301	(586)	-	-	(285)
Defined benefit liabilities	1,679	(552)	(110)	-	1,017
Unrealized asset impairment losses	2,970	-	-	-	2,970
Unrealized (realized) gain from sales	755	(953)	-	-	(198)
Unrealized bad debt expense	19,720	(17,720)	-	-	2,000
Deferred tax expense		<u>\$(26,665)</u>	<u>\$(110)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$35,543</u>				<u>\$8,768</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$41,676</u>				<u>\$17,243</u>
Deferred tax liabilities	<u>\$(6,133)</u>				<u>\$(8,475)</u>

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that were not recognized amounted to NT\$8,874 thousand and NT\$14,944 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

As of December 31, 2022 and 2021, the Company did not recognize deferred tax liability for taxes that would be payable on the unremitted earnings of some of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The taxable temporary differences associated with an investment in subsidiaries, for which deferred tax liabilities have not been recognized, amounted to NT\$36,407 thousand and NT\$76,243 thousand, respectively.

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As of December 31, 2022, the assessment of the income tax returns of the Company is assessed and approved up to 2020.

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2022	2021
(a) Basic earnings per share		
Profit for the year (in thousand NT\$)	\$2,454,597	\$1,155,930
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share (NT\$)	\$9.88	\$4.65
(b) Diluted earnings per share		
Profit for the year (in thousand NT\$)	\$2,454,597	\$1,155,930
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	2,682	827
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	251,232	249,377
Diluted earnings per share (NT\$)	\$9.77	\$4.64

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

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7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting years is as follows:

Name and nature of relationship of the related parties	
Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
HeJian Technology (Suzhou) Co., Ltd.	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties
United Semiconductor (Shandong) Co., Ltd.	Other related parties
United Semiconductor Japan Co., Ltd.	Other related parties
Faraday Technology Corporation (USA)	Subsidiaries
Faraday Technology Japan Corporation	Subsidiaries
FaradayTek Solutions India Private Limited	Subsidiaries
Faraday Technology Vietnam Company Limited	Subsidiaries
GrainTech Electronics Limited	Subsidiaries
Faraday Technology China Corporation	Subsidiaries
Innopower Technology Corporation	Subsidiaries
United Creative Solution Corporation	Subsidiaries
Faraday Technology Corporation (Suzhou)	Subsidiaries
United Business Service Corporation	Subsidiaries
Artery Technology Corporation, Ltd.	Subsidiaries
Artery Technology Company	Subsidiaries

Significant transactions with the related parties

(1) Operating revenues

	For the years ended December 31	
	2022	2021
Entity with joint control or significant influence over the Company	\$730,676	\$581,422
Faraday Technology Corporation (USA)	1,412,099	739,108
Faraday Technology China Corporation	1,216,159	54,110
Subsidiaries	2,946,967	1,859,384
Other related parties	85,160	46,038
Total	<u>\$6,391,061</u>	<u>\$3,280,062</u>

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The Company's sales terms were month-end 30-60 days for non-related parties, while month-end 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended December 31	
	2022	2021
United Microelectronics Corporation	\$3,445,529	\$1,894,680
United Semiconductor (Xiamen) Co., Ltd.	1,309,066	514,389
Other related parties	142,382	78,314
Total	<u>\$4,896,977</u>	<u>\$2,487,383</u>

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are month-end 45-60 days.

(3) Expense and Income

		For the years ended December 31	
		2022	2021
Subsidiaries	Research and development expenses	\$163,895	\$136,795
Entity with joint control or significant influence over the Company	Research and development expenses	8,410	71
Other related parties	Research and development expenses	-	5,742
Entity with joint control or significant influence over the Company	Testing expenses	51	-
Other related parties	Testing expenses	748	4,245
Subsidiaries	Other income	-	4,109
Subsidiaries	Administrative expenses	-	999
Other related parties	Selling expenses	375	-
Total		<u>\$173,479</u>	<u>\$151,961</u>

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(4) Contract assets-current

	As of	
	December 31, 2022	December 31, 2021
United Creative Solution Corporation	\$10,421	\$13,202
Faraday Technology China Corporation	4,075	21,118
Faraday Technology Japan Corporation	-	15,827
Total	<u>\$14,496</u>	<u>\$50,147</u>

(5) Accounts receivable - related parties, net

	As of	
	December 31, 2022	December 31, 2021
Faraday Technology Corporation (USA)	\$422,669	\$90,469
United Microelectronics Corporation	189,300	153,291
Innower Technology Corporation	188,551	84,331
Faraday Technology China Corporation	113,645	-
Faraday Technology Japan Corporation	109,894	92,366
Subsidiaries	102,475	215,092
Total	<u>\$1,126,534</u>	<u>\$635,549</u>

(6) Other receivables

	As of	
	December 31, 2022	December 31, 2021
Innower Technology Corporation	\$68,721	\$31,154
Subsidiaries	5,451	929
Total	<u>\$74,172</u>	<u>\$32,083</u>

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(7) Other current assets

	As of	
	December 31, 2022	December 31, 2021
Faraday Technology Vietnam Company Limited	\$41,371	\$-
Subsidiaries	-	10,305
Other related parties	-	250
Total	<u>\$41,371</u>	<u>\$10,555</u>

(8) Contract liabilities-current

	As of	
	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$41,016</u>	<u>\$75,677</u>

(9) Accounts payable - related parties

	As of	
	December 31, 2022	December 31, 2021
United Microelectronics Corporation	\$265,996	\$259,900
United Semiconductor (Xiamen) Co., Ltd.	162,231	200,717
Subsidiaries	140	14,628
Other related parties	3,805	11,921
Total	<u>\$432,172</u>	<u>\$487,166</u>

(10) Other payables

	As of	
	December 31, 2022	December 31, 2021
Subsidiaries	<u>\$12,772</u>	<u>\$5,835</u>

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(11) Key management personnel compensation

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$189,931	\$105,875
Post-employment benefits	1,359	1,323
Total	<u>\$191,290</u>	<u>\$107,198</u>

8. Assets Pledged as Collateral

The Company's assets pledged as collateral were as follows:

Assets pledged for security	Carrying amount		Secured liabilities
	2022.12.31	2021.12.31	
Financial assets measured at amortized cost	\$15,072	\$15,050	Custom clearance deposit
Financial assets measured at amortized cost	10,000	-	Science Park Administration land rental deposits
	<u>\$25,072</u>	<u>\$15,050</u>	

9. Significant Contingencies and Unrecognized Contractual Commitments

None.

10. Losses Due to Major Disasters

None.

11. Significant Subsequent Events

None.

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12. Others

(1) Categories of financial instruments

Financial assets

	As of	
	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$-	\$1,424
Financial assets at fair value through other comprehensive income	1,861,071	2,775,807
Financial assets measured at amortized cost (Note)	4,068,584	3,027,489
Total	<u>\$5,929,655</u>	<u>\$5,804,720</u>

Financial liabilities

	As of	
	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Held for trading	\$1,896	\$-
Financial liabilities measured at amortized cost:		
Payables (including related parties)	1,045,031	1,323,250
Other payables	815,487	525,348
Long-term payables	148,827	161,247
Lease liabilities	195,034	196,872
Total	<u>\$2,206,275</u>	<u>\$2,206,717</u>

Note : Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivables, refundable deposits and financial assets measured at amortized cost, non-current.

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(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk exposures.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

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The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$73,968 thousand and NT\$48,574 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates primarily related to the Company's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk

The Company's unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Company's unlisted equity securities and other investment are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

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Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2022, and 2021, top ten customers represented 89% and 71% of the contract assets and accounts receivable of the Company, respectively. The credit concentration risk of other contract assets and accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Company are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	Gross carrying amount	
				As of	
				December 31, 2022	December 31, 2021
Simplified approach	Not applicable	Lifetime expected credit losses	0%-100%	\$1,602,310	\$1,071,858
(Note)					

Note: By using simplified method (lifetime expected credit losses) is measured at contract assets, notes receivable and accounts receivable.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

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Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>As of December 31, 2022</u>					
Payables (including related parties)	\$1,045,031	\$-	\$-	\$-	\$1,045,031
Other payables	815,487	-	-	-	815,487
Long-term payables	-	142,796	6,031	-	148,827
Lease liabilities	10,414	15,973	15,973	231,614	273,974
<u>As of December 31, 2021</u>					
Payables (including related parties)	\$1,323,250	\$-	\$-	\$-	\$1,323,250
Other payables	525,348	-	-	-	525,348
Long-term payables	-	161,247	-	-	161,247
Lease liabilities	10,361	18,693	15,909	238,634	283,597

Derivative financial assets (liabilities)

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>As of December 31, 2022</u>					
Inflows	\$432,246	\$-	\$-	\$-	\$432,246
Outflows	(434,142)	-	-	-	(434,142)
Net	<u>\$(1,896)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,896)</u>
<u>As of December 31, 2021</u>					
Inflows	\$69,831	\$-	\$-	\$-	\$69,831
Outflows	(68,407)	-	-	-	(68,407)
Net	<u>\$1,424</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,424</u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2022:

	<u>Lease liabilities</u>
As of January 1, 2022	\$196,872
Cash flows	(6,109)
Non-cash flows	
Additions	<u>4,271</u>
As of December 31, 2022	<u><u>\$195,034</u></u>

Reconciliation of liabilities for year ended December 31, 2021:

	<u>Lease liabilities</u>
As of January 1, 2021	\$199,519
Cash flows	(5,976)
Non-cash flows	
Additions	<u>3,329</u>
As of December 31, 2021	<u><u>\$196,872</u></u>

(7) Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, notes receivable and accounts receivable, other receivables, accounts payable and other payables approximate their fair value due to their short maturities.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- ii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is estimated using the market approach or asset approach based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information.
- iii. The financial assets measured at amortized cost, long-term payables and lease liabilities are determined by discounted cash flow analysis. The Company estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.
- iv. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

b. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2022 and 2021 is as follows:

Forward currency contracts

The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
<u>As of December 31, 2022</u>		
Forward currency contract	Sell USD 20,000 thousand	From 2022.12.06 to 2023.01.17
Forward currency contract	Sell RMB 15,000 thousand	From 2022.12.09 to 2023.01.13

FARADAY TECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items (by contract)	Notional Amount	Contract Period
<u>As of December 31, 2021</u>		
Forward currency contract	Sell USD 12,000 thousand	From 2021.11.30 to 2022.01.20
Forward currency contract	Sell RMB 8,000 thousand	From 2021.12.07 to 2022.01.18

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2022:

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value:</u>				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$-	\$-	\$1,861,071	\$1,861,071
<u>Financial liabilities at fair value:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$1,896	\$-	\$1,896

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$1,424	\$-	\$1,424
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	2,775,807	2,775,807

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

FARADAY TECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movements of fair value measurement in Level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets
	At fair value
	through other
	comprehensive
	income
	Stocks
As of January 1, 2022	\$2,775,807
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in other comprehensive income (“Unrealized gains	
(losses) from equity instruments investments measured at fair value	
through other comprehensive income)	(914,736)
As of December 31, 2022	\$1,861,071
	Assets
	At fair value
	through other
	comprehensive
	income
	Stocks
As of January 1, 2021	\$2,012,742
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in other comprehensive income (“Unrealized gains	
(losses) from equity instruments investments measured at fair value	
through other comprehensive income)	763,065
As of December 31, 2021	\$2,775,807

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2022

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Financial assets:					
At fair value					
through other					
comprehensive					
income					
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/increase in the Company's equity by NT\$186,107 thousand

As of December 31, 2021

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Financial assets:					
At fair value					
through other					
comprehensive					
income					
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/increase in the Company's equity by NT\$277,581 thousand

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

- (10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Unit: in thousands					
	As of December 31, 2022			As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$47,459	30.70	\$1,456,997	\$51,978	27.67	\$1,438,240
Non-monetary items:						
USD	8,105	30.70	248,833	16,174	27.67	447,549
<u>Financial liabilities</u>						
Monetary items:						
USD	23,365	30.70	717,313	34,424	27.67	952,503

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of foreign currency transactions within the Company, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain was NT\$1,763 thousand and NT\$7,339 thousand for the years ended December 31, 2022 and 2021, respectively.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Company for the year ended December 31, 2022:

- (a) Financing provided to others for the year ended December 31, 2022: None.
- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 1.
- (c) Securities held as of December 31, 2022: Please refer to Attachment 2.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 3.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (h) Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2022: Please refer to Attachment 4.
- (i) Trading in derivative instruments: Please refer to Note 12.
- (j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 5.

(2) Information on investees

Information on investees which significant influenced or controlled by the Company: Please refer to Attachment 6.

(3) Information on investments in Mainland China

- (a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.
- (b) Significant transaction to investee company in Mainland China for the year ended December 31, 2022:
 - i. Purchases amount and percentage, and related ending balance and percentage of payables: None.
 - ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 5.
 - iii. Property transaction amount and occurred gain (loss): None.
 - iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.

vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 5.

(4) Major shareholder information

Please refer to Attachment 8.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 FARADAY TECHNOLOGY CORPORATION
 NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the year period ended December 31, 2022)

Unit: New Taiwan Dollars in thousands and RMB in dollars

No. (Note 1)	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance (Note 4)	Actual amount provided	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note 3)	Endorsement guarantee from parent company to subsidiary	Endorsement guarantee from the subsidiary to the parent company	Endorsement guarantee for mainland areas
		Company name	Relationship (Note 2)										
1	Artery Technology Corporation	Artery Technology Corporation, Ltd.	4	\$392,888	\$75,837 (RMB 17,000,000)	\$74,698 (RMB 17,000,000)	\$74,698	\$-	8.56%	\$392,888	N	N	Y

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: There are the following 7 types of relationships between the endorsement guarantor and the object of the endorsement, and the type can be indicated:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the regulations of Artery Technology Corporation's endorsement guarantee operation method:

1. Limit of total guarantee/endorsement amount shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
2. The amount of endorsements/guarantees for any single entity shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
3. Artery Technology Corporation and its subsidiaries endorsements/guarantees to others shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
4. Artery Technology Corporation and its subsidiaries endorsements/guarantees for any single entity shall not exceed 45% of Artery Technology Corporation's net worth as stated in the latest financial statements.
5. The amount of endorsements/guarantees for a company which endorsor/guarantor does business with, except the ceiling rules abovementioned shall not exceed the needed amounts arising from business dealings which is the higher amount of total sales or purchase transactions between endorsor/guarantor and the receiving party.

Note 4: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using customs administration's average exchange rate in December 2022.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Securities held as of December 31, 2022) (Excluding subsidiaries and associates)

Faraday Technology Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2022				
				Units/shares	Carrying amount	Percentage of ownership (%)	Fair value	Note
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	267,271,834	\$1,815,315	12.12%	\$1,815,315	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2,500,000	45,756	5.00%	45,756	-

Chih-Hung Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2022				
				Units/shares	Carrying amount	Percentage of ownership (%)	Fair value	Note
Preferred stock	Aviacomm Ltd.	-	Financial assets at fair value through profit or loss, non-current	14,600,000	\$-	12.60%	\$-	-
Common Stock				1,714,285				
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, non-current	59,167	-	0.70%	-	-
Common Stock	APM Communication, Inc.	-	Financial assets at fair value through profit or loss, non-current	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	-	9.53%	-	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, non-current	1,200,000	-	4.64%	-	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, non-current	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, non-current	1,818	-	8.82%	-	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	63,288	15.00%	63,288	-

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Securities held as of December 31, 2022) (Excluding subsidiaries and associates)

Sheng Bang Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2022				
				Units/shares	Carrying amount	Percentage of ownership (%)	Fair value	Note
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, current	10,000	\$21,889	-	\$21,889	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	800,000	-	1.33%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	20,408	19.67%	20,408	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, non-current	-	8,515	8.50%	8,515	-

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 3 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock)

Faraday Technology Corporation

Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		
		Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit Price	Payment Term	Balance	Percentage of total receivables (payable)	Note
Faraday Technology Corporation (USA)	Subsidiary	Sales	\$1,412,099	12.32%	Month-end 60 days	Note 1	Note3	\$422,669	27.12%	-
Faraday Technology Japan Corporation	Subsidiary	Sales	1,122,182	9.79%	Month-end 60 days	Note 1	Note3	109,894	7.05%	-
Faraday Technology China Corporation	Subsidiary	Sales	1,216,159	10.61%	Month-end 60 days	Note 2	Note3	113,645	7.29%	-
United Creative Solution Corporation	Subsidiary	Sales	530,797	4.63%	Month-end 60 days	Note 2	Note3	22,046	1.41%	-
Artery Technology Corporation, Ltd.	Subsidiary	Sales	408,792	3.57%	Month-end 60 days	Note 2	Note3	64,553	4.14%	-
Innopower Technology Corporation	Subsidiary	Sales	365,836	3.19%	Month-end 60 days	Note 2	Note 2	188,551	12.10%	-
Artery Technology Company	Subsidiary	Sales	329,742	2.88%	Month-end 60 days	Note 2	Note3	15,876	1.02%	-
Faraday Technology Corporation (Suzhou)	Subsidiary	Sales	128,698	1.12%	Month-end 60 days	Note 2	Note3	-	-	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	3,445,529	65.86%	Month-end 60 days	-	-	265,996	25.45%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	730,676	6.37%	Month-end 60 days	-	-	189,300	12.14%	-
United Semiconductor (Xiamen) Co., Ltd.	Other related parties	Purchases	1,309,066	25.02%	Month-end 60 days	-	-	162,231	15.52%	-
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties	Purchases	121,393	2.32%	Month-end 60 days	-	-	435	0.04%	-

Note 1: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 2: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

Note 3: The Company's sales terms were month-end 30-60 days for non-related parties, while month-end 60 days for related-parties.

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FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
Faraday Technology Corporation (USA)	Subsidiary	\$422,669	5.50	\$-	-	\$104,940	\$-
Innopower Technology Corporation	Subsidiary	188,551	2.68	-	-	92,582	-
Faraday Technology China Corporation	Subsidiary	113,645	21.40	-	-	68,253	-
Faraday Technology Japan Corporation	Subsidiary	109,894	11.10	-	-	36,186	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	189,300	4.27	-	-	121,601	-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.

Note 2: The capital stock is the parent's capital stock.

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FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2022

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Operating revenues	\$1,412,099	Note 4	10.81%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expenses	51,312	According to the contract	0.39%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	422,669	Month-end 60 days	3.13%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other receivables	367	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other payables	12,468	Month-end 60 days	0.09%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Contract liabilities	8,250	According to the contract	0.06%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Operating revenues	1,122,182	Note 4	8.59%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	109,894	Month-end 60 days	0.81%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Contract liabilities	312	According to the contract	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expenses	22,534	According to the contract	0.17%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Operating revenues	408,792	Note 5	3.13%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	64,553	Month-end 60 days	0.48%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Operating revenues	1,216,159	Note 5	9.31%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	4,075	According to the contract	0.03%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	113,645	Month-end 60 days	0.84%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	5,073	Month-end 60 days	0.04%

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FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	\$32,454	According to the contract	0.24%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Operating revenues	1,986	Note 5	0.02%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Operating revenues	530,797	Note 5	4.06%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract Assets	10,421	According to the contract	0.08%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Accounts receivable	22,046	Month-end 60 days	0.16%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Operating revenues	128,698	Note 5	0.99%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Operating revenues	365,836	Note 5	2.80%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Accounts receivable	188,551	Month-end 60 days	1.40%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other receivables	68,721	Month-end 60 days	0.51%
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Company	1	Operating revenues	329,742	Note 5	2.52%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	15,876	Month-end 60 days	0.12%
0	Faraday Technology Corporation	Artery Technology Company	1	Research expenses	6,201	According to the contract	0.05%
0	Faraday Technology Corporation	United Business Service Corporation	1	Operating revenues	58,934	Note 5	0.45%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Research expenses	83,848	According to the contract	0.64%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Other current assets	41,371	Month-end 60 days	0.31%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Operating revenues	138,152	Note 5	1.06%

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FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Significant intercompany transactions between consolidated entities)

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Operating revenues	\$55,843	Note 5	0.43%
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Accounts receivable	3,267	Month-end 60 days	0.03%
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Purchases	751	Note 5	-
2	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Accounts payables	353	Month-end 60 days	-

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, the sales price was determined through mutual agreement.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Related information of investee companies)

Faraday Technology Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount		
Faraday Technology Corporation (USA)	California, USA	Sales representative in America	\$371,224	\$436,907	Common stock 97,218 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	\$248,833	\$54,229	\$54,229
Faraday Technology Corp. (B.V.I.)	British Virgin Islands	General investing	855,770	855,770	Common stock 27,489 thousand shares	100.00%	851,949	150,428	150,428
Faraday Technology Japan Corporation	Tokyo, Japan	Sales representative in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	174,325	77,150	77,111
Chih-Hung Investment Corporation	Taiwan	General Investing	539,500	620,000	Common stock 53,950 thousand shares	100.00%	451,187	31,034	31,034
Sheng Bang Investment Corporation	Taiwan	General Investing	102,020	222,020	Common stock 10,202 thousand shares	100.00%	75,663	(1,064)	(1,064)
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	9,287	-	100.00%	18,285	3,356	3,356
Sinble Technology Pte. Ltd.	Singapore	IC design services	- (Note 2)	-	-	100.00%	-	-	-

Chih-Hung Investment Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$1,456	\$1,456	Common stock 146 thousand shares	19.42%	\$1,117	\$(62)	\$(12)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 31,970 thousand shares	100.00%	372,376	31,392	31,292
FaradayTek Solutions India Private Limited	India	IC design services	45	45	Common stock 10 thousand shares	1.00%	93	2,157	22

Sheng Bang Investment Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022			Net income (loss) of investee company	Investment income (loss) recognized
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$6,044	\$6,044	Common stock 604 thousand shares	80.58%	\$4,635	\$(62)	\$(50)
FaradayTek Solutions India Private Limited	India	IC design services	4,462	4,462	Common stock 990 thousand shares	99.00%	9,210	2,157	2,135

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Related information of investee companies)

Innopower Technology Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022				
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount	Net income (loss) of investee company	Investment income (loss) recognized
Bright Capital Group Limited (BCGL)	Samoa	General investing	\$68,593	\$68,593	Common stock 2,301 thousand shares	100.00%	\$410,971	\$44,924	\$44,924

Faraday Technology Corp. (B.V.I.)

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022				
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount	Net income (loss) of investee company	Investment income (loss) recognized
Faraday Technology (Mauritius) Corp.	Mauritius	General investing	USD \$12,859,205	USD \$12,859,205	Common stock 12,804 thousand shares	100.00%	\$147,690	\$30,589	\$30,589
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,379	450	450
Faraday Technology (Samoa) Corp.	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	205,176	29,460	29,460
Artery Technology Corporation	Cayman	General investing	USD 9,809,000	USD 9,809,000	Common stock 31,149 thousand shares	60.87%	449,811	142,783	86,912

Artery Technology Corporation

Investee company	Location	Main businesses and products	Initial Investment		Investment as of December 31, 2022				
			December 31, 2022	December 31, 2021	Number of shares	Percentage of ownership (%)	Carrying amount	Net income (loss) of investee company	Investment income (loss) recognized
Artery Technology Company	Taiwan	IC designing, marketing and customer service	\$171,141	\$171,141	Common stock 17,114 thousand shares	60.87% (Note 3)	\$150,970	\$75,345	\$45,863

Note 1: USD are expressed in dollars.

Note 2: The company established Sinble Technology Pte. Ltd. in November 2022, and completed capital injection of NT\$179,400 thousand in January 2023.

Note 3: The Company owns 100% of Faraday Technology Corp. (B.V.I.) and Faraday Technology Corp. (B.V.I.) owns 60.87% of Artery Technology Corporation. Artery Technology Corporation owns 100% of Artery Technology Company; therefore, the Group's shareholding of Artery Technology Company is 60.87%.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 7 (Investment in Mainland China)

Unit: New Taiwan Dollars in thousands, USD and RMB in dollars

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Faraday Technology China Corporation	IC designing, marketing and customer service	\$184,200 (USD 6,000,000)	Note 1, 3	\$184,200 (USD 6,000,000)	\$-	\$-	\$184,200 (USD 6,000,000)	\$30,356	100.00%	\$30,356 Note 8 (2)	\$145,414	\$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	178,060 (USD 5,800,000)	Note 4	178,060 (USD 5,800,000)	-	-	178,060 (USD 5,800,000)	44,924	100.00%	44,924 Note 8 (2)	410,970	-
United Business Service Corporation	IC designing, marketing and customer service	132,270 (RMB 30,000,000)	Note 1	132,270 (RMB 30,000,000)	-	-	132,270 (RMB 30,000,000)	29,460	100.00%	29,460 Note 8 (2)	205,174	-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	367,172 (USD 11,960,000)	Note 1, 5, 6	184,010 (USD 5,993,815)	-	-	184,010 (USD 5,993,815)	97,714	60.87%	59,478 Note 8 (1)	352,919	-
United Creative Solution Corporation	IC designing, marketing and customer service	44,090 (RMB 10,000,000)	Note 7	-	-	-	-	18,899	100.00%	18,899 Note 8 (2)	90,424	-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	4,409 (RMB 1,000,000)	Note 7	-	-	-	-	5	100.00%	5 Note 8 (2)	4,413	-

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FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 7 (Investment in Mainland China)

Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$691,023 (Note 2) (USD 22,508,882)	\$783,888 (Note 2) (USD 25,533,815)	\$5,159,512

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology Corp. (B.V.I.) (registered in a third region) such as Faraday Technology (Mauritius) Corp., Faraday Technology (Samoa) Corp., and Artery Technology Corporation.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2022.

Note 3: As of December 31, 2022, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology (Mauritius) Corp. had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of Faraday Technology Corporation (Suzhou) (Mainland China company owned by Faraday Technology (Mauritius) Corp., which owned by Faraday Technology Corp. (B.V.I.)) with USD 602,182 through Bright Capital Group Limited (BCGL). Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2022, Investment Commission, MOEA approved the total investment amount USD 7,033 thousand , and the Company had remitted USD 5,994 thousand for the investment.

Note 6: The Company owns 100% of Faraday Technology Corp. (B.V.I.) and Faraday Technology Corp. (B.V.I.). owns 60.87% in Artery Technology Corporation. The Artery Technology Corporation owns 100% of Artery Technology Corporation, Ltd. ; therefore, the Group's share of profit or loss of Artery Technology Corporation, Ltd. is 60.87%.

Note 7: These companies were directly invested by United Business Service Corporation.

Note 8: The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:
 1. The financial statements were reviewed by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
 2. The financial statements were reviewed by the auditors of the parent company.
 3. Others.

Note 9: Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation during the year ended December 31, 2018. The liquidation procedures were completed in 2022.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 8 (The information of main shareholders)

Name of major shareholders	Number of ordinary shares	
	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corporation	34,240,213	13.77%

Explanation : If the Company applies to the Taiwan Depository & Clearing Corporation to obtain the information in this form, the following items may be explained in the note of this form.

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or inconsistent.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, includes the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System.

FARADAY TECHNOLOGY CORPORATION
1. STATEMENT OF CASH AND CASH EQUIVALENTS
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars and Dollars of Foreign Currencies)

Item	Description	Amount	Note
Cash on hand		\$ 200	1. Cash and cash equivalents were not pledged.
Saving			2. Foreign exchange rate as of December 31, 2022
NT Dollars		352,571	
Foreign currency	USD 2,967,755.72	91,110	USD1=NTD30.70
Checking deposits			
Foreign currency	USD 199,092.00	6,112	
Time Deposits			
NT Dollars		1,665,000	
Cash equivalents			
Commercial paper with repurchase agreements		130,000	3. Expiration date: 2023/01/12-2023/01/17; annual interest rate 1%
Total		<u>\$ 2,244,993</u>	

FARADAY TECHNOLOGY CORPORATION
2. STATEMENT OF ACCOUNTS RECEIVABLES
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
<u>Non-related parties</u>			The accounts receivables were all derived from daily operations.
Client A	The amount of individual client in others does not exceed 5% of the account balance.	\$ 228,592	
Client B		33,014	
Client C		31,697	
Others		138,884	
Subtotal		432,187	
Less: loss allowance		(9,320)	
Total	\$ 422,867		
<u>Related parties</u>			
Faraday Technology Corporation (USA)	The amount of individual client in others does not exceed 5% of the account balance.	\$ 422,669	
United Microelectronics Corporation		189,300	
Innopower Technology Corporation		188,551	
Faraday Technology China Corporation		113,645	
Faraday Technology Japan Corporation		109,894	
Artery Technology Corporation, Ltd.		64,553	
Others		37,922	
Subtotal		1,126,534	
Less: loss allowance		-	
Total	\$ 1,126,534		

FARADAY TECHNOLOGY CORPORATION

3. STATEMENT OF INVENTORIES

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Work in process		\$ 1,737,361	\$ 3,029,672	1. Inventories were not pledged.
Finished goods		668,960	1,029,842	
Total		2,406,321	\$ 4,059,514	2. Inventories are valued at lower of cost and net realizable value item by item. In addition, allowance of inventory obsolescence is reserved for slow moving item.
Less: Allowance for inventory valuation losses		(66,168)		
Net amount		<u>\$ 2,340,153</u>		

4. Statement of other current assets

Please refer to Note 6(6).

FARADAY TECHNOLOGY CORPORATION
5. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Kind	Beginning Balance		Acquisition		Disposal (Note 1)		Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Others (Note 2)	Ending Balance			Fair Value/Net Assets Value	Collateral	Note
		Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount				Shares (Thousands)	%	Amount			
Faraday Technology Corporation (USA)	Common stock	118,580	\$ 437,715	-	\$ -	(21,362)	\$ (296,143)	\$ 54,229	\$ 53,032	\$ -	97,218	100%	\$ 248,833	\$ 248,833	None	-
	Preferred stock	2,000	-	-	-	-	-	-	-	-	2,000	100%	-	-	None	-
Faraday Technology Corp. (B.V.I.)	Common stock	27,489	781,052	-	-	-	(38,605)	150,428	12,813	(53,739)	27,489	100%	851,949	910,312	None	-
Faraday Technology Japan Corporation	Common stock	2	97,586	-	-	-	-	77,111	(372)	-	2	99.95%	174,325	174,325	None	-
Chih-Hung Investment Corporation	Common stock	62,000	557,452	-	-	(8,050)	(80,500)	31,034	3,878	(60,677)	53,950	100%	451,187	451,187	None	-
Sheng Bang Investment Corporation	Common stock	22,202	201,710	-	-	(12,000)	(120,000)	(1,064)	(75)	(4,908)	10,202	100%	75,663	75,663	None	-
Faraday Technology Vietnam Company Limited	Capital	-	13,741	-	-	-	-	3,356	1,188	-	-	100%	18,285	18,285	None	-
Sinble Technology Pte. Ltd.	Common stock	-	-	-	-	-	-	-	-	-	-	100%	-	-	None	(Note 3)
The total of investments accounted for using the equity method			<u>\$ 2,089,256</u>		<u>\$ -</u>		<u>\$ (535,248)</u>	<u>\$ 315,094</u>	<u>\$ 70,464</u>	<u>\$ (119,324)</u>			<u>\$ 1,820,242</u>	<u>\$ 1,878,605</u>		

Note 1: The decrease is due to the capital returns and cash dividends from the investees.

Note 2: Others include unrealized gain or loss from equity instruments investments measured at fair value through other comprehensive income from subsidiaries, associates and joint ventures accounted for using the equity method and unrealized gross profit on sales.

Note 3: The company established Sinble Technology Pte. Ltd. in November 2022 and completed capital injection of NT\$179,400 thousand in January 2023.

FARADAY TECHNOLOGY CORPORATION

6. STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Unrealized gain on financial assets measured at fair value through other comprehensive income	Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
SHIEH YONG Investment Co., Ltd.	194,944,689	\$ 2,670,986	72,327,145	\$ -	-	\$ -	\$ (855,671)	267,271,834	\$ 1,815,315	None	
Unitech Capital Inc.	2,500,000	104,821	-	-	-	-	(59,065)	2,500,000	45,756	None	
Total		<u>\$ 2,775,807</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ (914,736)</u>		<u>\$ 1,861,071</u>		

7. Statement of changes in property, plant and equipment

Please refer to Note 6(9).

8. Statement of changes in depreciation of property, plant and equipment

Please refer to Note 6(9).

FARADAY TECHNOLOGY CORPORATION

9. STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NON-CURRENT

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Interest rate	Period	Note
Time Deposits					Please refer to Note 8
Taiwan Cooperative Bank	Custom clearance deposit	\$ 15,072	0.465%	2019/10/25-2023/10/25	
Taiwan Cooperative Bank	Science Park Administration land rental deposits	9,000	0.575%	2022/12/19-2023/11/19	
Taiwan Cooperative Bank	Science Park Administration land rental deposits	1,000	1.325%	2022/11/28-2023/11/28	
	Total	<u>\$ 25,072</u>			

FARADAY TECHNOLOGY CORPORATION
10. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Land	\$ 202,168	\$ 3,887	\$ -	\$ 206,055	
Buildings and facilities	5,763	-	-	5,763	
Transportation equipment	6,244	-	-	6,244	
Office equipment	343	384	-	727	
Total	<u>\$ 214,518</u>	<u>\$ 4,271</u>	<u>\$ -</u>	<u>\$ 218,789</u>	
Accumulated Depreciation					
Land	\$ 15,960	\$ 5,431	\$ -	\$ 21,391	
Buildings and facilities	3,516	1,173	-	4,689	
Transportation equipment	3,486	1,141	-	4,627	
Office equipment	334	31	-	365	
Total	<u>\$ 23,296</u>	<u>\$ 7,776</u>	<u>\$ -</u>	<u>\$ 31,072</u>	
Carrying amount, net	<u>\$ 191,222</u>			<u>\$ 187,717</u>	

11. Statement of changes in intangible assets

Please refer to Note 6(10).

12. Statement of other non-current assets

Please refer to Note 6(11).

FARADAY TECHNOLOGY CORPORATION
13. STATEMENT OF ACCOUNTS PAYABLES
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
<u>Non-related parties</u>			The accounts payable was all derived from daily operations.
Siliconware Precision Industries Co., Ltd.	The amount of individual vendor in others does not exceed 5% of the account balance.	\$ 198,012	
Others		414,847	
Subtotal		<u>\$ 612,859</u>	
<u>Related parties</u>			
United Microelectronics Corporation	The amount of individual vendor in others does not exceed 5% of the account balance.	\$ 265,996	
United Semiconductor (Xiamen) Co., Ltd.		162,231	
Others		3,945	
Subtotal		<u>\$ 432,172</u>	

FARADAY TECHNOLOGY CORPORATION

14. STATEMENT OF OTHER PAYABLES

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued salaries and bonuses		\$ 345,784	
Research expense payables	Include EDA Tool and Authorization fee	294,374	
Others	The amount of individual item in others does not exceed 5% of the account balance.	167,632	
Total		<u>\$ 807,790</u>	

FARADAY TECHNOLOGY CORPORATION

15. STATEMENT OF LEASE LIABILITIES

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Lease Term	Discount rate (year)	Ending Balance	Note
Land	2003/08/01-2056/12/31	1.812%-2.227%	\$ 191,887	
Buildings and facilities	2017/12/01-2023/11/30	1.707%	1,120	
Transportation equipment	2018/06/27-2023/06/26	1.707%	1,642	
Office equipment	2014/02/01-2025/10/31	1.707%-1.812%	385	
Total			195,034	
Less: Current portion of			(6,280)	
lease liabilities			\$ 188,754	

FARADAY TECHNOLOGY CORPORATION
16. STATEMENT OF OPERATING REVENUES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Sales of goods		\$ 8,833,559	
Rendering of services		1,706,867	
Silicon intellectual property license		926,029	
Net operating revenues		<u>\$ 11,466,455</u>	

FARADAY TECHNOLOGY CORPORATION
17. STATEMENT OF OPERATING COSTS
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Direct material			
Beginning of year		\$ -	
Add: Raw material purchased		5,072,170	
Less: Raw material, end of year		-	
Direct material used		5,072,170	
Direct labor		-	
Manufacturing Expenses		2,339,396	
Manufacturing Costs		7,411,566	
Add: Work in process, beginning of year		785,042	
Returns for rework		72,709	
Less: Work in process, end of year		(1,737,361)	
Scrap		(20,201)	
Cost of Finished Goods		6,511,755	
Add: Finished goods, beginning of year		476,523	
Others		10,405	
Less: Finished goods, ending of year		(668,960)	
Sample		(3,350)	
Picking for rework		(72,709)	
Scrap		(5,360)	
Revenue from sales of scrap		(1,616)	
Others		37,679	
Add: Employee compensation		18,286	
Add: Loss on inventory valuation		13,014	
Add: Loss on scrap of inventories		25,561	
Total Operating Costs		\$ 6,341,228	

FARADAY TECHNOLOGY CORPORATION
18. STATEMENT OF MANUFACTURING EXPENSES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Variable manufacturing expenses			
C/P		\$ 117,511	
ASSY		1,794,936	
F/T		334,256	
Subtotal		<u>2,246,703</u>	
Fixed manufacturing expenses			
Wages and salaries		56,764	
Shipping expense		11,895	
Grinding expense		10,367	
Others	The amount of individual item in others does not exceed 5% of the account balance.	13,667	
Subtotal		<u>92,693</u>	
Total		<u><u>\$ 2,339,396</u></u>	

FARADAY TECHNOLOGY CORPORATION
19. STATEMENT OF SELLING EXPENSES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Royalty		\$ 97,989	
Wages and salaries		88,010	
Commissions expense		16,425	
Other expense	The amount of individual item in others does not exceed 5% of the account balance.	25,734	
Total		<u>\$ 228,158</u>	

FARADAY TECHNOLOGY CORPORATION
20. STATEMENT OF ADMINISTRATIVE EXPENSES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Wages and salaries		\$ 276,055	
Park management fee		22,297	
Insurance expense		21,334	
Other expense	The amount of individual	84,222	
	item in others does not		
	exceed 5% of the account		
Total	balance.	<u>\$ 403,908</u>	

FARADAY TECHNOLOGY CORPORATION
21. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Summary	Amount	Note
Wages and salaries		\$ 1,309,447	
Amortization		289,399	
Research and design expense		170,492	
Other expense	The amount of individual item in others does not exceed 5% of the account balance.	232,515	
Total		<u>\$ 2,001,853</u>	

22. Summary statement of employee benefits, depreciation and amortization expenses by function
Please refer to Note 6(19).

6. If Faraday or its affiliates have encountered financial difficulties in the most recent year and up to the date of publication of the annual report, the impact on Faraday's financial status: None

VII. Analysis of Financial Status and Performance and Risk Issues

1. Financial status analysis

Units: NTD\$ Thousand

Account \ Year	December 31, 2022	December 31, 2021	Difference	
			Amount	%
Current Assets	9,754,232	7,392,154	2,362,078	31.95
Funds and Investments	2,023,034	3,104,820	(1,081,786)	(34.84)
Property, plant, and equipment	514,367	517,870	(3,503)	(0.68)
Right-of-use Assets	255,483	211,436	44,047	20.83
Intangible Assets	614,985	505,049	109,936	21.77
Other Assets	350,704	305,176	45,528	14.92
Total Assets	13,512,805	12,036,505	1,476,300	12.27
Current Liabilities	4,155,877	3,505,683	650,194	18.55
Non-current Liabilities	388,331	375,523	12,808	3.41
Total Liabilities	4,544,208	3,881,206	663,002	17.08
Capital	2,485,503	2,485,503	0	0.00
Additional Paid-in Capital	705,700	705,700	0	0.00
Retained Earnings	4,929,738	3,278,832	1,650,906	50.35
Other Equity	478,245	1,369,937	(891,692)	(65.09)
Treasury Stock	0	0	0	0.00
Non-controlling Interest	369,411	315,327	54,084	17.15
Total Equity	8,968,597	8,155,299	813,298	9.97
<p>The proportion of change is more than 20%. The main reasons and the analysis of their impact are as follows:</p> <p>(1) Increase in current assets: mainly due to the increase in inventories and accounts receivable, which was caused by the increase in MP sales.</p> <p>(2) Decrease in funds and investments: mainly due to the decrease in the evaluation of financial asset shares measured at fair value through other comprehensive gains and losses.</p> <p>(3) Increase in right-of-use assets: Mainly due to the change of the office lease contract of the subsidiary, the amount of right-of-use assets increased.</p> <p>(4) Increase in intangible assets: the main system is to renew the EDA TOOL contract, which increases the unamortized amount of intangible assets.</p> <p>(5) Increase in retained earnings: the main reason is that the company continues to make profits.</p> <p>(6) Decrease in other equity: it was due to the decrease in the evaluation of the share of financial assets measured at fair value through other comprehensive gains and losses.</p>				

2. Financial Performance Analysis

(1) Financial Performance Analysis

Units: NTD\$ Thousand

Account \ Year	2022	2021	Difference	
			Amount	%
Net Sales Revenues	13,065,155	8,085,201	4,979,954	61.6
Operating Costs	(6,689,746)	(3,995,272)	(2,694,474)	67.4
Gross Profits	6,375,409	4,089,929	2,285,480	55.9
Operating Expenses	(3,453,995)	(2,687,873)	(766,122)	28.5
Operating Profits	2,921,414	1,402,056	1,519,358	108.4
Non-operating Income and Expenses	136,058	100,123	35,935	35.9
Income before Tax	3,057,472	1,502,179	1,555,293	103.5
Income Tax Expense	(547,004)	(212,131)	(334,873)	157.9
Net Income	2,510,468	1,290,048	1,220,420	94.6
Other Comprehensive Income (Loss)	(870,074)	658,253	(1,528,327)	(232.2)
Total Comprehensive Income (Loss)	1,640,394	1,948,301	(307,907)	(15.8)
The proportion of change is more than 20%, the main reasons and their impact analysis are as follows:				
(1) Increase in operating income/operating cost/operating gross profit: All revenues have grown, among which mass production and sales are more significant. The cumulative operating income has increased by 61.6% compared with last year, and the overall gross profit margin is 48.8%.				
(2) Increase in operating expenses: due to the increase in dividends and employment expenses for main employees.				
(3) Increase in operating profit: mainly due to increase in turnover and proper control of costs and expenses.				
(4) Increase in non-operating income and expenses: mainly due to the increase in dividend and interest income.				
(5) Increase in net profit before tax and net profit for the period: mainly due to the increase in operating profit.				
(6) Increase in income tax expense: mainly due to increase in net profit before tax.				
(7) Decrease in other comprehensive gains and losses: mainly due to the decrease in the unrealized valuation of financial assets measured at fair value through other comprehensive gains and losses.				

(2) Analysis of gross profit changes

Units: NTD\$ Thousand

Gross profits	Variance from previous period	The reason for variance			
		Variance in sales price	Difference in cost price	Variance in sales mix	Difference in quantity
	2,285,480	1,703,497	(933,491)	538,502	976,972
Justification	The optimization of product combination has positively affected the difference in selling price, sales combination and quantity. On the other hand, due to the tight production capacity of packaging, the cost increase has an unfavorable impact on the difference in cost price.				

3. Cash flow analysis

(1) Analysis of Cash Flow Changes during Current Year

Units: NTD\$ Thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Operating activities	1,199,680	2,505,850	(1,306,170)	(52.12)
Investing activities	(376,942)	(588,350)	211,408	(35.93)
Financing activities	(781,780)	(199,835)	(581,945)	291.21
Total	40,958	1,717,665	(1,676,707)	(97.62)

(a) Decrease in net cash inflow from operating activities: Majorly due to the increase in inventory preparation and income tax payment.

(b) Decrease in net cash outflow from investing activities: Mainly due to the decrease in the due repayment of financial assets measured at cost after amortization and the payment and deposit of deposits.

(c) Increase in net cash outflow from financing activities: Majorly due to the increase in cash outflow due to the distribution of cash dividends.

(2) Solutions for net cash deficit and solvency analysis: Not applicable.

(3) Cash flow analysis for the following year

Units: NTD\$ Thousand

Cash and cash equivalents at beginning of period a	(Forecasted) Net cash provided by operating activities b	(Forecasted) Net increase (decrease) in cash and cash equivalents c	(Forecasted) Net cash surplus (deficit) a + b - c	Solutions for net cash deficit	
				Investing projects	Financing projects
4,872,818	2,304,471	1,255,588	5,921,701	Not applicable	Not applicable

4. Impact of major capital expenditures in the most recent year on financial operations: None

5. Main reasons for the reinvestment policy and profit or loss in the most recent year, improvement plan and investment plan for the next year

(1) The reinvestment policy in the most recent year: Faraday does not exercise financial investments in order to avoid market risk. We focus on strategic investments relevant to our operating activities in order to reduce the risk, and improve the control and management toward invested companies.

(2) The main reasons for profit : Due to steady sales revenue and service revenue.

(3) Improvement plan: Not Applicable.

(4) The investment plan for the next year: The investment plan for the next year will focus on the long-term growth of Faraday, and majorly invest in IC design firms with synergy.

6. Analysis and assessment of risk issues in the most recent year and up to the date of publication of the annual report

(1) The future solutions and influence on Faraday's profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations in the most recent year.

(A) The influence on Faraday's profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations :

- a. Faraday possesses sufficient capital, and does not have to exercise long-term borrowing, so the impact of interest rate fluctuations to Faraday's short-term financing is limited.
- b. For foreign exchange rate, Faraday employs accounting natural hedges, forward exchange, and foreign exchange swap to decrease the net asset position of foreign currency, along with the risk of foreign exchange fluctuations.
- c. The inflation during recent year does not cast material influence on Faraday's profits or loss.

(B) The future solutions:

Faraday will continue to trace the fluctuations of foreign exchange rate, and exercise applicable solutions.

(2) The major reasons and future solutions for high-risk, high-leverage investments, capital lending, endorsement, and financial derivatives' trading policies, profits, or loss.

Faraday does not exercise high-risk, high-leverage investments, neither capital lending nor endorsements. Faraday has regulated capital lending process, endorsement process, and acquirement or disposal process of assets, as the principle for relevant matters. Faraday utilizes natural hedges to reduce exchange loss.

(3) The research and development plans, and expected investments in research and development in the future.

(A) The significant research and development plans and forecasted investments in recent year

Project Name
(a) Plan to develop 22 nm Embedded High Voltage (eHV) Process Memory Compiler
(b) Plan to develop 14 nm Process Memory Compiler
(c) Plan to develop 22 nm LPDDR3 and DDR3/4 Combo PHY
(d) Plan to develop 14 nm LPDDR3/4 and DDR3/4 Combo PHY
(e) Plan to develop 22 nm 10Gbps Serdes

(B) The anticipated investments in aforementioned research and development projects for following two years are about NTD\$ 2 billion.

(4) The influence and solutions on Faraday's financial operations by domestic and foreign significant policy and regulation changes.

Faraday has exercised appropriate solutions against domestic and foreign policy and

regulation changes, and the relevant changes do not significantly impact Faraday's financial and operational situations.

- (5) The influence and solutions of technology and industry changes on Faraday's financial operations.

(A) Faraday has been devoting in research and development of advanced process technology from beginning, and invested NTD\$ 2,422 million in relevant research and development in 2022, which will benefit the revenue growth in the future. Currently, Faraday's financial situation is healthy, along with sufficient capital for the demand of development in technology in the future.

(B) In terms of information security risk control, Faraday has not only continuously reviewed and evaluated information security regulations and procedures to ensure their appropriateness and effectiveness, but also established an information security control mechanism and regularly appoints external experts to implement information security health check to prevent external hacker intrusion and internal secret leakage. To strengthen information security awareness of employees, Faraday also conducted information security training and social engineering drills on a regular basis.

(C) In order to protect research and development achievements and strengthen competitiveness, Faraday is committed to technology innovation. Combining incentive mechanisms such as encouraging research and development innovation, with the patent application layout in line with the company's operating goals, Faraday has created a positive cycle of research and development innovation and corporate culture.

- (6) The influence and solutions of business image changes on corporate crisis management: None.

(7) The anticipated benefits, risks, and solutions of merge and acquisition: None.

(8) The anticipated benefits, risks, and solutions of expansion of factory buildings: None

(9) The anticipated risks and solutions for concentration of stocking and sales.

There is no concentration of sales in Faraday. For stocking, because the supplier is a critical shareholder with more than 10% of overall equity of Faraday Technology Corporation, and is also a famous wafer foundry in the world, the risk of stocking is considered low.

(10) The influence, risks, and solutions of significant equity transfer or changes by critical shareholders with more than 10% overall equity: None.

(11) Influence, risks, and solutions of management right changes on Faraday: Not applicable.

(12) Faraday's Directors, Supervisors, president, business owner, critical shareholders with more than 10% overall equity, and affiliates with significant litigation of final verdict or pendency, Non-contentious Cases, or administrative case that may materially influence

stockholders' equity or stock prices, has to disclose the relevant fact in contention, amount, beginning date of litigation, major parties involved, and the progress by print date of the annual financial report: None.

(13) Other significant risks and solutions: None.

7. Other important matters: None

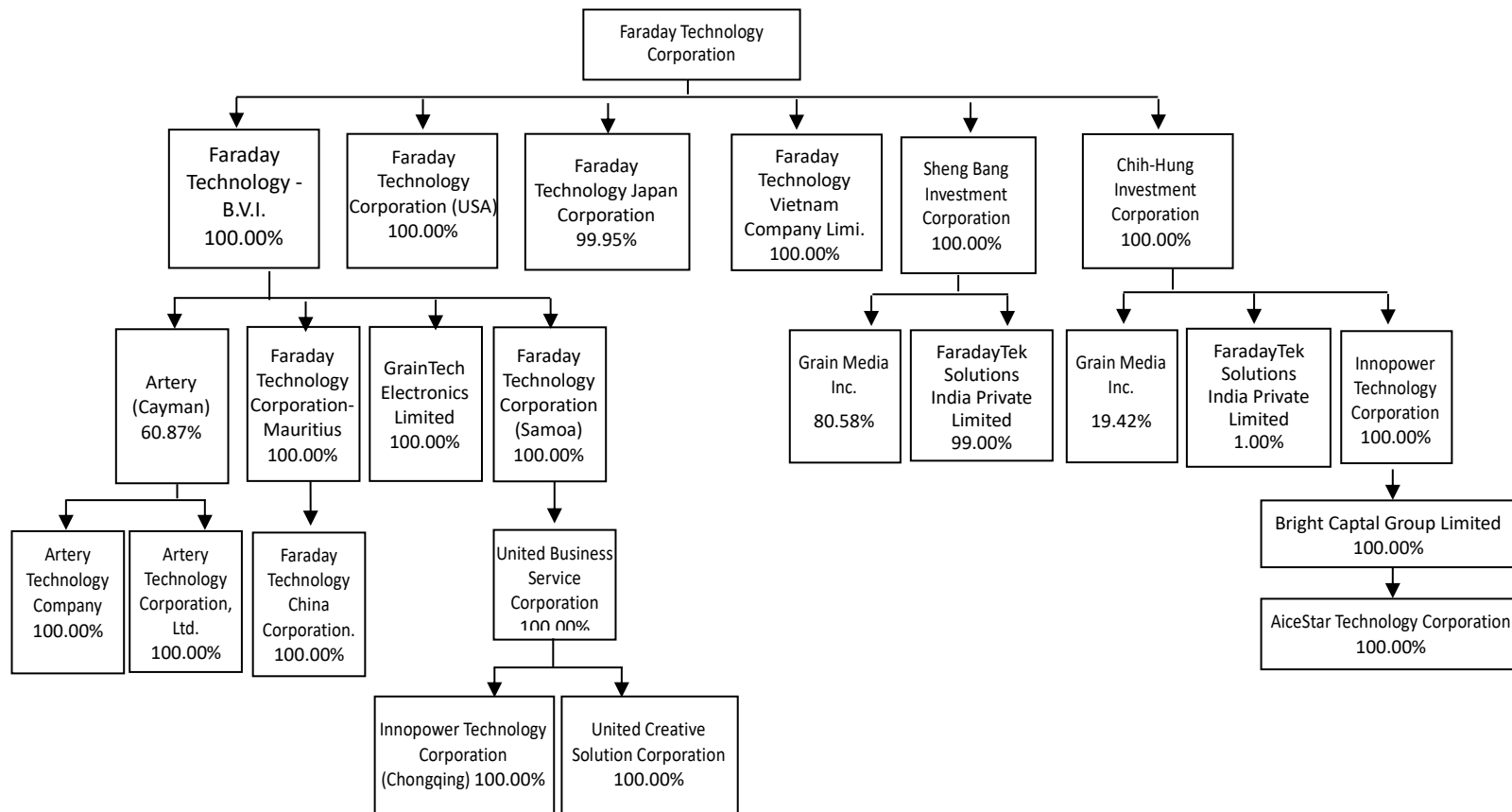
VIII. Special Items

1. Information on affiliates

(1) Consolidated operation report of affiliates

A. Brief of affiliates

(a) The organizational chart for affiliates



(b) Basic information for affiliates

March 31, 2023

Corporate Name	Established Date	Address	Contributed Capital	Major Business
Faraday Technology Corp. (USA)	1995.9.5	2860 Zanker Rd., Suite 101, San Jose, CA 95134	USD 11,974,770	The America sales representative for Faraday Technology Corporation
Faraday Technology Japan Corp.	2000.8.23	Tokyo Central Place Bldg. 3F, 22-6 Kabuto-cho, Nihonbashi Chuo-ku, Tokyo, 103-0026, Japan	¥ 100,000,000	The Japan sales representative for Faraday Technology Corporation
Faraday Technology- B.V.I.	2000.3.9	P.O. Box 3340, Road Town, Tortola, British Virgin Island	USD 27,488,585	Trading and investment
Faraday Technology Vietnam Company Limited	2019.4.4	Room 602, 6th floor, Royal Tower B, Royal Tower Center Building, 235 Nguyen Van Cu Street, Nguyen Cu Trinh ward, District 1, HCMC, 700000, Vietnam	USD 300,000	IC design
Chi Hong Investment Corporation	2001.3.2	No.70, Shangyi St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 539,500,000	General investment
Sheng Bang Investment Corporation	2003.4.25	3F., No.1, Ln. 17, Minquan St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 102,020,000	General investment
Faraday Technology Corporation-Mauritius	2002.2.8	2F, Felix House, 24 Dr Joseph Riviere Street, Port Louis, Mauritius	USD 12,859,205	General investment
GrainTech Electronics Limited	2010.7.16	Units 3306-12, 33/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong	USD 100,000	Sales and after-sale service for IC products
Bright Capital Group Limited	2004.2.18	P.O. Box 3269, Apia, Samoa	USD 2,301,482	General investment
Grain Media Inc.	2005.12.12	8th Floor, No. 43, Shaonian Street, Hsinchu City, Taiwan (R.O.C.)	NTD 7,500,000	Sales and after-sale service for IC products
Innower Technology Corporation	2008.8.18	5F., No.158, Sec. 1, Jiafeng 2nd St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 319,700,660	intellectual property product design
FaradayTek Solutions India Private Limited	2019.3.29	5th Floor, Cessna Business Park, Embassy Signet Kadubeesanahalli, Marathalli Outer Ring Road, Bangalore Bangalore KA 560103 IN	INR 10,000,000	IC design
Faraday Technology China Corporation	2001.3.27	Room 901, West 9th Floor, No. 1905, Hongmei Road, Xuhui District, Shanghai, China	USD 6,000,000	Sales and after-sale service for IC products
Faraday Technology Corporation (Suzhou)	2007.8.10	C302, No.1355 JinJiHu Avenue, International Science & Technology Park, Suzhou Industrial Park, 215021, China	USD 5,800,000	Sales and after-sale service for IC products
Faraday Technology Corporation – Samoa	2015.8.20	Offshore Chambers, P.O. Box 217, Apia, Samoa.	USD 4,715,067	General investment
United Business Service Corporation (Chongqing)	2015.10.20	Floor 20, Building 1, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	CNY 30,000,000	Sales and after-sale service for IC products
Artery Technology Corporation - Cayman	2016.03.15	PO Box 309, Uglan House, Grand Cayman, KY11-1104, Cayman Islands	NTD 511,740,000	General investment
Artery Technology Corporation, Ltd. (Chongqing)	2016.06.20	Floor 10, Building 1, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	USD 11,960,000	Sales and after-sale service for IC products
United Creative Solution Corporation(Shanghai)	2019.08.06	Room 902, West 9th Floor, No. 1905, Hongmei Road, Xuhui District, Shanghai, China	CNY 10,000,000	Sales and after-sale service for IC products
Innower Technology Corporation (Chongqing)	2019.07.16	No. 3, No. 27, Fengsheng Road, Jiulongpo District, Chongqing, China	CNY 1,000,000	Sales and after-sale service for IC products
Artery Technology Company	2016.12.12	5F., No. 1, Jinshan 8th St., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	NTD 171,140,750	Sales and after-sale service for IC products
Sinble Technology Pte. Ltd	2022.11.16	80 Robinson Road, #02-00, Singapore (068898)	SGD 7,800,000	IC design

(c) The disclosure matters of controlling and subordinate relations by Art. 369-3, Company Act by the Republic of China: None

(d) The industries relates to overall affiliates' operating businesses. If the operating businesses of affiliates are relevant to each other, the assignment of responsibilities must be illustrated:

The scope of business operations of Faraday and its subsidiaries focus on IC design-related business, and a small number of affiliates include investment business in their business scope in order to strengthen vertical integration and strategic investment to meet the future operations of Faraday.

(e)The equity or capital investments for affiliates by their directors, supervisors, and general managers:

March 31, 2023				
Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
Faraday Technology Corp. (USA)	Director	Faraday Technology Corporation	118,580,000 (common)	100%
		Rep.: Kuo-Hua, Lee	2,000,000(preferred)	100%
Faraday Technology Japan Corp.	Director	Faraday Technology Corporation	1,999 share	99.95%
	Director Supervisor	Rep.: Shih-Chin, Lin	-	-
		Kato Yuichi	-	-
		Wen-Ju, Tseng	-	-
Faraday Technology - B.V. I	Director	Faraday Technology Corporation	27,488,585 shares	100%
		Rep.: Wen-Ju, Tseng	-	-
Faraday Technology - Vietnam Company Limited	Director	Faraday Technology Corporation	Faraday invested USD300,000	100%
		Rep.: Cheng-Hsing Chien	-	-
Chi Hong Investment Corporation	Director	Faraday Technology Corporation	53,950,000 shares	100%
		Rep.: Kuo-Yung, Wang	-	-
Sheng Bang Investment Corporation	Director	Faraday Technology Corporation	10,202,000 shares	100%
		Rep.: Kuo-Yung, Wang	-	-
Faraday Technology (Mauritius) Corp.	Director	Faraday Technology - B.V.I.	12,804,214 shares	100%
		Rep.: Wen-Ju, Tseng	-	-
GrainTech Electronics Limited	Director	Faraday Technology - B.V.I.	100,000 shares	100%
		Rep.: Rong-Shing, Lai	-	-
Bright Capital Group Limited-Samoa	Director	Innopower Technology Corporation	2,301,482 shares	100%
		Rep.: Wen-Ju, Tseng	-	-
Grain Media Inc.	Director	Chih-Hung Investment Corporation	145,631 shares	19.42%
	Supervisor	Rep.: Rong-Shing, Lai	-	-
		Sheng Bang Investment Corporation	604,369 shares	80.58%
		Rep.: Wen-Ju, Tseng	-	-
Innopower Technology Corporation	Director	Chih-Hung Investment Corporation	31,970,066 shares	100%
		Rep.: Shih-Chin, Lin	-	-
FaradayTek Solutions India Private Limited	Director	Sheng Bang Investment Corporation	990,000 shares	99%
	Director	Rep.: Shih-Chin, Lin	-	-
		Chih-Hung Investment Corporation	10,000 shares	1%
		Rep.: KRISHNAMURTHY JAYASHREE	-	-
Faraday Technology China Corporation	Director	Faraday Technology (Mauritius) Corp	Mauritius invested USD6,000,000	100%
	Supervisor	Rep.: Shih-Chin, Lin/ Jun-Shan, Ju / Chien-Ming, Chen	-	-
		Rep.: Wen-Ju, Tseng	-	-

Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
Faraday Technology Corporation (Suzhou)	Director	Bright Capital Group Limited-Samoa	BCGL-Samoa invested USD5,800,000	100%
	Supervisor	Rep.: Chieh-Kai, Liang/ Shih-Chin, Lin/Jhih-Cyun Chen Rep.: Wen-Ju, Tseng	- -	- -
Faraday Technology Corporation – Samoa	Director	Faraday Technology - B.V.I. Rep.: Wen-Ju, Tseng	4,715,067 shares -	100% -
United Business Service Corporation (Chongqing)	Director	Faraday Technology Corporation – Samoa	Faraday-Samoa invested RMB30,000,000	100%
	Supervisor	Rep.: Kuo-Yung, Wang/ Shih-Chin, Lin/ Kuan-Ming Feng Rep.: Wen-Ju, Tseng	- -	- -
Artery Technology Corporation- Cayman	Director	Faraday Technology - B.V.I.	31,149,000 shares	60.87%
		Rep.: Kuo-Yung, Wang	228,000 shares	0.45%
		Rep.: Wen-Ju, Tseng	279,420 shares	0.55%
		Hung-Yu, Lin	609,000 shares	1.19%
		Hong Ding Venture Capital Corporation	5,112,000 shares	9.99%
		Rep.: Bo-Jen, Shen	18,000 shares	0.04%
		Guo-Yung, Liang	0 shares	-
		Da-Song, Li Zong-Da, Li	0 shares 0 shares	- -
Artery Technology Corporation, Ltd. (Chongqing)	Director	Artery Technology Corporation - Cayman	Artery-Cayman invested USD11,960,000	100%
	Supervisor	Rep.: Kuo-Yung, Wang/ Wen-Ju, Tseng/ Hung-Yu, Lin/ Bo-Jen, Shen/ Chun-Gu, Chen Rep.: Ya-Ling, Chang	- -	- -
United Creative Solution Corporation(Shanghai)	Director	United Business Service Corporation	United Business Service Corporation invested RMB10,000,000	100%
	Supervisor	Rep.: Jen-Shan, Ju Rep.: Wen-Ju, Tseng	- -	- -
Innopower Technology Corporation (Chongqing)	Director	United Business Service Corporation	United Business Service Corporation invested RMB1,000,000	100%
	Supervisor	Rep.: Shih-Chin, Lin Rep.: Wen-Ju, Tseng	- -	- -
Artery Technology Company	Director	Artery Technology Corporation – Cayman Rep.: Kuo-Yung, Wang/ Wen-Ju, Tseng Hung-Yu, Lin/Bo-Jen, Shen/Chun-Gu, Chen	17,114,075 shares -	100% -
Sinble Technology Pte. Ltd.	Director	Faraday Technology Corporation Rep.: Kuo-Yung, Wang / Wen-Ju, Tseng / Siang-Rong Hsu	7,800,000 shares -	100% -

B. Brief of Operations

March 31, 2023

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD\$)
Faraday Technology Corp.(USA)	USD 10,921,811	USD 22,670,513	USD 13,334,105	USD 9,336,408	USD 15,606,563	USD 1,594,373	USD 1,231,307	—
Faraday Technology Japan Corp.	¥ 100,000,000	¥ 1,785,017,010	¥ 1,254,835,913	¥ 530,181,097	¥ 1,616,044,254	¥ 144,350,763	¥ 80,987,454	—
Faraday Technology - B.V.I.	NTD 855,769,896	NTD 884,755,230	NTD 228,500	NTD 884,526,730	—	—	NTD -29,354,055	—
Chi Hong Investment Corporation	NTD 539,500,000	NTD 470,055,094	NTD 276,000	NTD 469,779,094	—	NTD -39,480	NTD 8,307,033	—
Sheng Bang Investment Corporation	NTD 102,020,000	NTD 90,103,013	NTD 211,000	NTD 89,892,013	—	NTD -17,000	NTD 2,432,201	—

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD\$)
Faraday Technology (Mauritius) Corp.	NTD 406,711,929	NTD 152,100,024	—	NTD 152,100,024	—	—	NTD 3,639,142	—
GrainTech Electronics Limited	NTD 3,192,500	NTD 5,438,262	NTD 93,635	NTD 5,344,627	—	—	NTD -34,469	—
Bright Capital Group Limited-Samoa	NTD 68,593,066	NTD 436,821,001	—	NTD 436,821,001	—	—	NTD 23,704,510	—
Grain Media Inc.	NTD 7,500,000	NTD 6,006,395	NTD 272,740	NTD 5,733,655	—	NTD -18,000	NTD -18,010	—
Innopower Technology Corporation	NTD 319,700,660	NTD 687,921,147	NTD 305,073,555	NTD 382,847,592	NTD 3,767,508	NTD 4,798,992	NTD 8,325,868	—
Faraday Technology China Corporation	CNY 43,618,000	CNY 155,106,131	CNY 121,281,523	CNY 33,824,608	CNY 99,607,196	CNY 1,328,173	CNY 825,826	—
Faraday Technology Corporation (Suzhou)	CNY 39,863,870	CNY 141,402,027	CNY 42,796,905	CNY 98,605,122	CNY 24,818,998	CNY 5,245,768	CNY 5,350,906	—
Faraday Technology Corporation—Samoa	NTD 155,220,000	NTD 210,675,025	—	NTD 210,675,025	—	—	NTD 4,545,113	—
United Business Service Corporation (Chongqing)	CNY 30,000,000	CNY 49,744,403	CNY 2,188,255	CNY 47,556,148	—	CNY -1,254,670	CNY 1,025,984	—
Artery Technology Corporation - Cayman	NTD 511,740,000	NTD 842,628,410	NTD 13,507,335	NTD 829,121,075	—	NTD -2,281,503	NTD -61,634,702	—
Artery Technology Corporation, Ltd. (Chongqing)	CNY 81,311,212	CNY 200,369,763	CNY 74,138,448	CNY 126,231,315	CNY 39,501,755	CNY -7,029,407	CNY -7,777,161	—
Artery Technology Company	NTD 171,140,750	NTD 285,617,588	NTD 62,056,013	NTD 223,561,575	NTD 51,801,498	NTD -24,298,989	NTD -24,458,541	—
United Creative Solution Corporation (Shanghai)	CNY 10,000,000	CNY 79,430,706	CNY 56,493,948	CNY 22,936,758	CNY 52,232,797	CNY 2,525,837	CNY 2,271,820	—
Innopower Technology Corporation (Chongqing)	CNY 1,000,000	CNY 1,000,499	—	CNY 1,000,499	—	CNY -1,000	CNY -373	—
Faraday Technology Vietnam Company Limited	VNM 6,978,000,000	VNM 64,723,774,862	VNM 54,387,358,217	VNM 10,336,416,645	VNM 24,558,514,700	VNM 1,412,191,538	VNM 890,109,231	—
FaradayTek Solution India Private Limited	INR 10,000,000	INR 44,265,208	INR 12,209,997	INR 32,055,211	INR 19,733,547	INR 7,610,210	INR 7,013,831	—
Sinble Technology Pte. Ltd	SGD 7,800,000	SGD 7,776,339	—	SGD 7,776,339	—	SGD -25,566	SGD -23,661	—

(2) Consolidated financial statements for affiliates

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2022 and for the year then ended prepared under the International Financial Reporting Standards No.10 “Consolidated Financial Statement” (referred to as “Consolidated Financial Statements”) are the same as the entities to be included in the combined financial statements of the Company, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

Faraday Technology Corporation

Chairman: Chia-Tsung, Hung

February 21, 2023

2. Status of private equity securities processing in the most recent year and up to the date of publication of the annual report: None.
3. Holdings or disposals of Faraday's stock by affiliates in the most recent year and up to the date of publication of the annual report: None.
4. Other necessary supplementary notes: None.
5. Any matters with significant impact on shareholders' equity or securities prices as stipulated in the second paragraph of item 3 of Article 36 of the Securities Trading Law in the most recent year and up to the date of publication of the annual report: None.



FARADAY