

The cover features a large, glowing blue and red dragon emblem on a spherical, faceted background. The dragon is rendered in a stylized, neon-like font. The background is a soft, pinkish-purple gradient. In the lower right, there is a reflection of the dragon and a small, white, mountain-like structure. The MSI logo is positioned in the upper right corner.

msi[®]

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2022 ANNUAL REPORT

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MICRO-STAR INTERNATIONAL CO., LTD.

2022 ANNUAL REPORT

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Company website:

<http://www.msi.com>

Printed on May 11, 2023

Notice to readers

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

I. SPOKESPERSON & DEPUTY SPOKESPERSON

Spokesperson: Hung, Pao-Yu
Title: Chief Financial Officer
Tel.: 886-2-3234-5599
E-mail: 080419861@msi.com

DEPUTY SPOKESPERSON:

Deputy Spokesperson: Chang, Ju-Ting
Title: Assistant Vice President of Finance Center Global Finance Division
Tel.: 886-2-3234-5599
E-mail: 080419862@msi.com

II. HEADQUARTERS AND PLANTS

Tel.: 886-2-3234-5599
Address: No. 69, Lide St., Zhonghe Dist., New Taipei City 235, Taiwan
(R.O.C)

III. SECURITIES DEALING INSTITUTE

Name: Chinatrust Transfer Agent
Address: 5F, No. 83, Sec. 1, Chung-Chin S. Rd., Zhongzheng Dist., Taipei City
Tel.: 886-2-6636-5566
Website: <http://www.ctbcbank.com>

IV. AUDITORS

Name: CPA: Liang, Hua-Ling & Lai, Chung-Hsi
CPA Firm: PricewaterhouseCoopers, Taiwan
Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110
Tel.: (886) 2 2729-6666
website: <http://www.pwc.com>

V. NAME OF TRADING SITE FOR LISTED SECURITIES OVERSEAS:

None

VI. COMPANY WEBSITE

<http://www.msi.com>

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I .Letter to Shareholders

Dear Shareholders:

The year 2022 was a year full of drastic changes and turmoil for the industry and the political and economic environment. The year began with the extra demand in PC, owing to the persisting pandemic, then experienced inflation brought on by rising energy and food pricing due to the geopolitical tension, and ended with continuous warfare. The subsequent rate hikes from governments around the world and the stumbling world economy together made impacts on consumption, including PC demands. The upward trend reversed downward abruptly. Combined with bumpy supply chains, the business seemed full of unknowns. Regardless of the extreme challenges in the second half of the year, we managed to deliver a satisfactory business result for the year. Thanks to the close bond with the customers and suppliers, we were able to spot the turn and prepare countermeasures for the front and back ends.

Looking ahead to the new year, we expect an easing of the price wars as built-up PC inventory clears up in the distribution channels with the new product launches. Also, we are expecting an improving product margin, coming from cheaper logistics and key component costs after new product launches from chip suppliers. All members of the Company will uphold the initial intention, employing our ONE MSI culture and values, with coordination among headquarters and overseas locations to provide products that meet the market demands, cultivate the core brand value and grasp market trends and opportunities for the creation of better business results. As an enterprise operates on sustainability, ESG is our important mission. Along with realizing energy saving and carbon reduction to become a green-label brand, we participate in charitable events, taking up our social responsibilities, which help cultivate talents and filling up the gap of digital resources for disadvantaged students.

I. Operating Performance in 2022

1. Consolidated financial results

Unit: NT\$ thousands

Item \ Year	2022	2021	Growth amount	Growth rate
Sales revenue	180,411,242	201,810,152	(21,398,910)	(10.60%)
Gross profit	25,728,080	38,244,276	(12,516,196)	(32.73%)
Profit after tax	9,962,520	16,921,005	(6,958,485)	(41.12%)
Basic earnings per share(After-tax) (in NT dollars)	11.79	20.03	(8.24)	(41.14%)
Diluted earnings per share (After-tax) (in NT dollars)	11.65	19.78	(8.13)	(41.10%)

2. Profitability analysis

Item	Year	Financial Analysis for the Last Two-Years	
		2022	2021
Financial structure(%)	Debt to asset ratio (%)	44.28	53.60
	Long-term capital to property, plant and equipment(%)	891.19	836.18
Solvency(%)	Current ratio(%)	208.81	173.89
	Quick ratio(%)	125.09	99.29
	Interest earned ratio (times) (%)	32,224.29	110,389.06
Profitability (%)	Return on assets (%)	10.59	18.83
	Return on shareholders'equity (%)	20.87	40.96
	Profit ratio (%)	5.52	8.38
	Basic after-tax EPS(NT\$)	11.79	20.03

3. Research and Development Status

MSI is the leading brand in the world of global gaming, creators, business, AIoT. The advanced research and development is the foundation and customer satisfaction is the motivation. We distribute in more than 120 countries worldwide. The display cards, desktop computers, motherboards, monitors, computer peripherals, laptops, servers, industrial computers and automotive electronics are constantly welcomed and complimented by the consumers and our clients. MSI is committed to build the digital luxury with excellent quality, user-friendly design, decent and fashionable style. MSI continues to innovate user value and is becoming a comprehensive leading brand in technology.

We were rewarded with “Best Taiwan Global Brand” once again in 2022, ensuing the fruitful results in global eSports makers and commerce. Our brand, MSI, was valued at US\$219 million, up by 27% from 2021, through the assessment from the Industrial Development Bureau, Taiwan Institute of Economic Research, and Interbrand.

II. Operating Plan for 2023

To cope with the change of future environment, MSI’s adopted operation guidelines, estimated goals and important sales strategies for 2023 are as follows:

1. operation guideline

- (1) Sales and marketing aspect: progressively explore new markets and new customers and establish a long-term entrusted stable business relationship with customers with potentials and sound financial status to create mutual benefits.
- (2) Product R&D aspect: Develop products which meet users’ needs.
- (3) Manufacturing, quality and service aspect: continue implementing automated manufacturing to increase quality and efficiency. Improve repair and services to enhance customer satisfaction.
- (4) In business management: Continue to improve operational efficiency.
- (5) Finance aspect: uphold the principle of steady and stable operation, and control various financial risks.

2. Sales forecast and the analysis

We cover a wide range of products. While we continuously devote our efforts in the market of high-end products and pursuit of stable growth of each product, we will seek to increase the shipment in new product development and marketing, including motherboards, display cards, laptops, PCs, gaming monitors, gaming peripherals, servers, industrial computers, and auto electronics. We anticipate room for growth in the market. The company’s objective is to increase the overall revenue, and will proactively broaden the market share of every product.

3. Important production and sales policy

- (1) Production policy aspect: Always paying attention to the global major political and economic situations to respond to the possible change in market demand and the suppliers’ productivity. To increase capacity utilization rate by adopting planned procurement of components. To adopt flexible production to reduce stock level yet fulfilling customer’s order demand. To observe the dynamic of supply chains and to ensure an effective production of employees, equipment, materials, and manufacturing methods.
- (2) Sales policy aspect: to provide good quality products that suit customers’ need. To gain a mutual success in sales target with our customers.

I hereby on behalf of the MSI management team express our appreciation to all our shareholders, customers and suppliers. We also appreciate the hard efforts of all employees and directors made during the past year. We hope our shareholders will keep supporting and encouraging us. We will work harder to achieve a greater performance and sales results to share with you.

Sincerely yours,

Chairman: Hsu, Hsiang

II. Introduction of the Company

(I)Establishment date: August 4, 1986

(II)Development history

1986	<ul style="list-style-type: none"> ● Announced the 486 and 586 mainboards. ● MSI was established, focusing on the design and manufacture of Mainboards and Add-on Cards. ● Announced the 386DX mainboards. ● Announced the 1st overclocking 286 mainboards.
1988	<ul style="list-style-type: none"> ● Obtained TUV ISO 9002:1994 quality management system certification.
1989	<ul style="list-style-type: none"> ● Announced the 1st Barebone product.
1991	<ul style="list-style-type: none"> ● Announced the 1st Graphics Card product.
1995	<ul style="list-style-type: none"> ● Inaugurated the MSI Plant I in Jung-He, the suburb of Taipei. ● Obtained TUV ISO 9001:1994 quality management system certification.
1998	<ul style="list-style-type: none"> ● MSI became a public company as it went on IPO (Initial Public Offering) on the Taiwan Stock Exchange (TAIEX). ● Announced the industry's 1st mainboard designed for Socket 7 processor, which supports 100MHz FSB. ● Announced industry's 1st mainboard designed to support Dual PentiumR II processor.
1999	<ul style="list-style-type: none"> ● Obtained BVQI ISO 14001:1996 environmental management system certification.
2000	<ul style="list-style-type: none"> ● Announced the 1st Server product. ● Established MSI Computer (Shenzhen) Co., Ltd.
2001	<ul style="list-style-type: none"> ● Established MSI Electronics (Kunshan) Co., Ltd.
	<ul style="list-style-type: none"> ● Established China service center in Shanghai. ● Announced the 1st Optical Device product. ● Inaugurated the MSI Plant III in Jung-He, Taipei County.
2002	<ul style="list-style-type: none"> ● Announced the world's 1st PC2PC WLAN mainboard. ● Announced the 1st MSI communication product. ● Announced the world's 1st PC2PC Bluetooth mainboard. ● Inaugurated its EU Hub in Netherlands.
2003	<ul style="list-style-type: none"> ● Announced the 1st Notebook product. ● Obtained BVQI OHSAS 18000:1999 occupational health and safety management system certification. ● Announced the 1st Pen Tablet PC product ● Obtained UL QS 9000:1998 quality management system certification.
2004	<ul style="list-style-type: none"> ● Announced the 1st Portable Multimedia Player product. ● MSI CE products won the Good Design Awards in Japan.
2005	<ul style="list-style-type: none"> ● MSI CE products won the iF Design Award in Germany.
2006	<ul style="list-style-type: none"> ● MSI CE products won the iF Design Award in Germany. ● MSI is the only one winner in Tom's Hardware Guide (Worldwide No. 1 online IT Media) Both "Editor's Choice awards for Intel® P975 and P965 platform. ● Announced the world's 1st Pocket Size DTV. ● Obtained UL QC 080000 hazardous substance process management system certification. ● Announced the world's 1st solar-powered notebook and MP3 Player product (Concept Product).
2007	<ul style="list-style-type: none"> ● Announced the 1st double-wheel and smart video & music interactive navigation service robot. ● The only one mainboard won the Best Choice of COMPUTEX 2007 award. ● Announced the world's 1st overclocking notebook. ● MSI Notebook (PR200) won the "Red Dot Award: Product Design 2007". ● Announced the world's 1st Crystal Collection Notebook product. ● Announced the world's 1st HATO Notebook (Concept Product).
2008	<ul style="list-style-type: none"> ● Announced the world's 1st Hybrid Storage Netbook. ● MSI has been ranked No. 19 of the Top 20 Taiwan Global Brands ● MSI has been awarded "16th Industrial Technology Advancement Awards" by the Ministry of Economic Affairs. "Excellent Enterprise Innovation Award" & "Individual Achievement Award" affirmed the MSI R&D innovation strategy and management. ● MSI is the only one winner of Best Enterprise of COMPUTEX TAIPEI 2008; MSI mainboard & notebook were honored to receive the "Best Choice of COMPUTEX TAIPEI 2008". ● Announced the 1st Car Infotainment product. ● Announced the world's 1st 10" Netbook product.
2009	<ul style="list-style-type: none"> ● MSI has been chosen as one of "2009 Top 50 Corporate Citizens" from CommonWealth Magazine (Issue 416) in Taiwan. MSI has been chosen as one of "2009 Top 70 CSR Excellent Enterprises" from Global Views magazine (Issue 273) in Taiwan. ● MSI Netbook & Car Infotainment product won the Best Choice of COMPUTEX TAIPEI 2009.

	<ul style="list-style-type: none"> ● Announced the world's power-saving No. 1 Netbook. ● Announced the 1st Ultra Slim Notebook. ● Announced the 1st All-in-One PC
2010	<ul style="list-style-type: none"> ● X-Slim X340 was handed the Taiwan Excellence Silver Award and voted second most popular. ● MSI Big Bang-Fuzion mainboard and Telematics both won Best Choice of COMPUTEX. ● MSI participated in 2010 Taiwan Excellence Award selection, and all nominated products won the prize.
2011	<ul style="list-style-type: none"> ● MSI Won one of Top 100 Taiwan Brands Distinguished among 500 brands. ● All the 23 products MSI participated in Taiwan Excellence Award selection won the prize, WindTop AE2420 3D AIO won the Gold Award. ● MSI Z68A-GD80 (G3), GT780DXR and N460GTX Hawk receive CES Innovations Award Honors.
2012	<ul style="list-style-type: none"> ● MSI X79 Series Mainboards break the World Record of 170MHz Base Clock and 5.83GHz CPU Clock of Sandy ● MSI GT70 notebook is the only winner awarded Buyer's Choice, Best Choice, and Media's Choice in Computex 2012. ● 15 products of MSI got 2012 Taiwan Excellence Award. ● MSI Z68A-GD80 (G3) and GT780DXR won CES 2012 Innovations Award.
2013	<ul style="list-style-type: none"> ● The No. 1 and Only Best Choice Golden Awarded Motherboard- MSI Z87-GD65 GAMING ● MSI Taiwan Excellence Award Winner, 15 years of affirmation. Eleven product of the leading company are awarded ● MSI has won the 2013 CES Innovations Awards with the GT70 Dragon Edition notebook and the N680GTX Lightning graphics card.
2014	<ul style="list-style-type: none"> ● MSI GS70 laptop and AG2712A gaming All-in-One PC are prestigious CES Innovations 2014 honorees. ● MSI has been awarded from Taiwan Excellence for 16 consecutive years. A total of 13 MSI products are awarded, including the Z87M GAMING motherboard, the GK-601 Dragon Edition gaming keyboard, the ultrathin GS70 laptop, the GT60 3K Edition laptop, the N780 Lightning graphics card, the AG2712A gaming All-in-One PC and the Adora24 ultra-slim All-in-One PC. In 2014, MSI was selected as one of the top 20 brands in the "Best Taiwan Global Brands" ● MSI Z97 XPOWER AC won COMPUTEX TAIPEI 2014 d&i and Best Choice Award
2015	<ul style="list-style-type: none"> ● MSI has been awarded from Taiwan Excellence for 17 consecutive years. 8 products are awarded, including MB/ VGA/ NB/ AIO products. ● MSI GT72 Dominator Pro laptop, GS30 Shadow, AG240 4K Edition AIO and X99 GAMING 9 are prestigious CES Innovations 2015 honorees. ● MSI was selected as one of the top 20 brands in the "2015 Best Taiwan Global Brands". ● Honored as World's 4th Best Laptop Brand of 2015 and NO.1 in Ranking of Asian Brands by Laptop Magazine.
2016	<ul style="list-style-type: none"> ● MSI GS40 Phantom, AIO Gaming 27XT, and Vortex Gaming Tower won CES 2016 Innovations Award. ● GT80 Titan won iF DESIGN AWARD 2016 ● MSI GAMING notebook won Readers' Choice Awards 2016
2017	<ul style="list-style-type: none"> ● MSI VR One Backpack PC, GS63VR Stealth Pro gaming laptop and Z270 GAMING M7 gaming motherboard won CES 2017 Innovations Award. ● MSI has been awarded from Taiwan Excellence, including gaming NB, MB, VGA, Desktop and headset products. ● MSI won two iF Design Awards with Z270 TOMAHAWK gaming motherboard and Trident 3 gaming desktop PC.
2018	<ul style="list-style-type: none"> ● MSI won the CES 2018 Best E-sports Innovation Gold Award with its powerful and clear-cut Trident 3 Arctic. In addition, along with Trident 3 Arctic, MSI Technology's high-performance Z370 GODLIKE GAMING e-sports motherboard, top GTX 1080Ti Lightning e-sports display card, innovative Optix MPG27CQ curved e-sports display and the new generation Infinite X e-sports desktop also won five CES 2018 Innovation Awards in the computer hardware and component category and the e-sports category. ● MSI passed the rigorous tests in the four areas of "Research and Development", "Design", "Quality" and "Marketing" with its products such as notebooks, motherboard, display card, e-sports desktops, e-sports peripherals, industrial computers and servers to win the Taiwan Excellence Award for 20 consecutive years. Not only that, the VR One e-sports backpack, in addition to be the winner of Taiwan Excellence Awards, won the "Silver Award" for its emphasis on the wireless VR e-sports experience. ● Winning the internationally renowned iF Product Design Award, known as the Oscar Award for Product Design, means an exceptional glory of the product for being selected out of thousands of its kind. As the world-leading e-sports brand, MSI shone forth to win 3 major iF awards with its outstanding e-sports GL63 which carries gaming-panel display, the lightest and thinnest backpack e-sports box VR ONE, and the pure white high-quality motherboard X299 TOMAHAWK AC. ● For the 17th COMPUTEX Best Choice Award for Innovative Technology of the Year, MSI's 4 products stood out from the 350 competing items to win 5 awards. The MSI Optix MPG27 series of curved e-sports display won the double champions for "Best Design Award" and "Category Award". MSI has been developing its the automotive electronics brand for many years and its FUNTORO smart fleet management and cloud service platform, with its brilliant performance, won the "Gold Award". The MSI GE73 Raider RGB e-sports notebook, and MSI FUNTORO smart court business service solution, both claimed the "Category Award", once again affirming

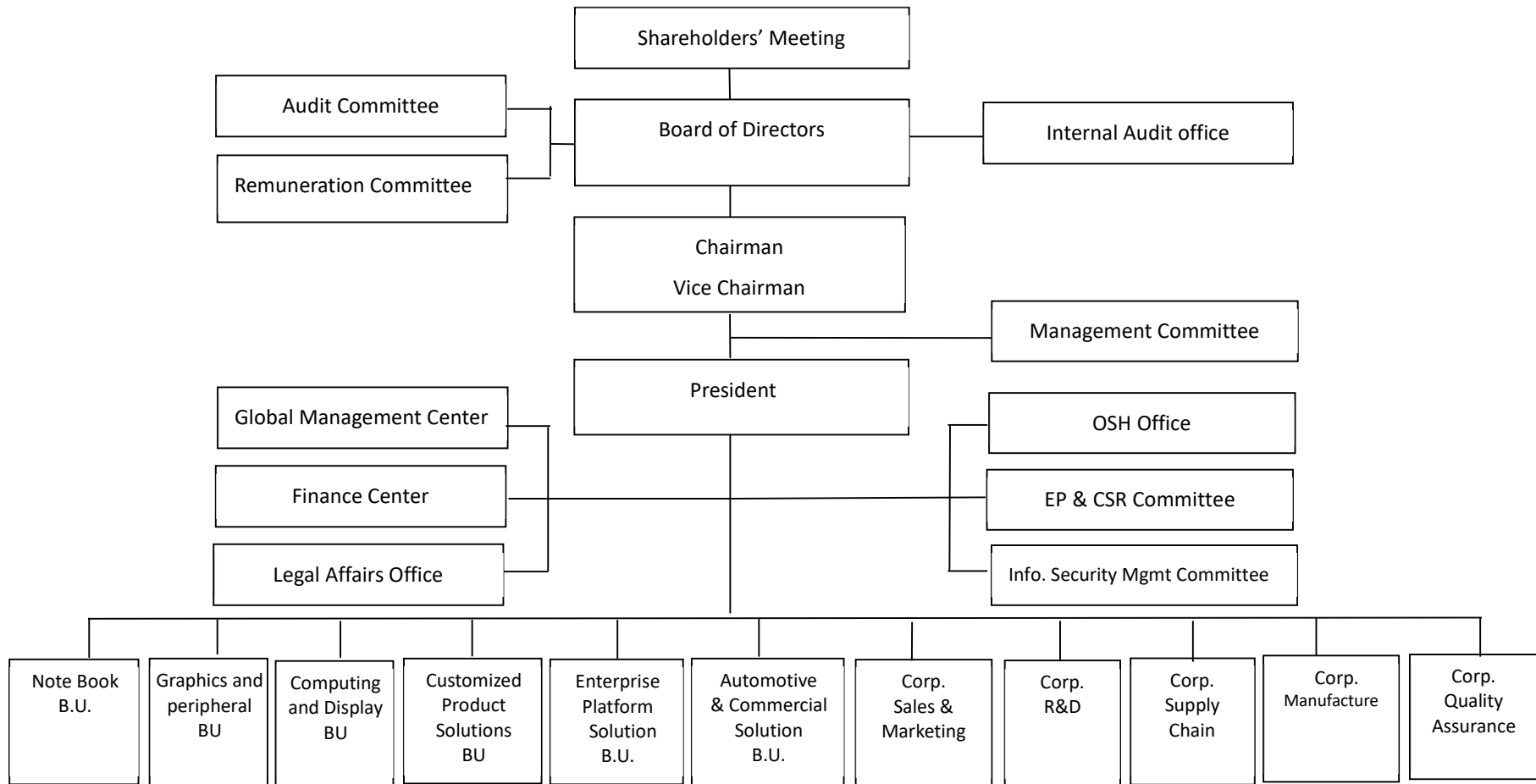
	MSI's leading position in the global e-sports field, as well as its ambition to step into the field of software platform services.
2018	<ul style="list-style-type: none"> ● The Computex Taipei Innovation Design Award was jointly organized by the Taiwan External Trade Development Council (TAITRA) and iF International Forum Design GmbH (Germany). In 2018, MSI once again unveiled the breath-taking next-gen PRO 24X AIO computer to create a new era for the high-tech industry. ● MSI was nominated as one of the "2018 Taiwan Top 20 International Brands" in the "Taiwan International Brand Value Survey" conducted by Interbrand, a global authoritative brand value survey agency which was commissioned by Taiwan Institute of Economic Research under the program sponsored by the Industrial Development Bureau of the Ministry of Economic Affairs.
2019	<ul style="list-style-type: none"> ● MSI's products were favored by CES 2019 jurors with GS65 e-sports notebook, Infinite e-sports desktop, Trident X e-sports desktop, GeForce® RTX™ 2080 Ti GAMING X TR10 e-sports display card, Prestige PS341WU display, Optix MPG341QR smart e-sports display and Optix MAG271QR curved e-sports display claimed a total of 12 major awards for innovation including the CES Computer Hardware and Components Innovation Award, CES E-sports Innovation Award, CES High-performance Home Audio / Video Innovation Award, CES Computer Peripheral Innovation Award, CES e-sports Innovation Award and so forth. ● MSI passed the rigorous tests in the four areas of "Research and Development", "Design", "Quality" and "Marketing" with its notebooks, e-sports desktops, e-sports peripherals, industrial computers, automatic electronics, etc." under the careful evaluation and discussion of more than 90 well-known local experts across the industry, government and academia to win the Taiwan Excellence Award for 21 consecutive years. Not only that, the game linking RGB colorful lighting curved LED e-sports screen Optix MPG27CQ/MPG27C, in addition to being the winner of Taiwan Excellence Awards, won the "Silver Award" for its characteristics of linking with games. ● In 2019, MSI won the iF Design Award 2019 in 4 categories with its gaming laptop GF63 and GF75, military style motherboard MAG Z390 TOMAHAWK, and Optix MPG27CQ, the first gaming monitor synchronizing the game in the world. ● In Computex Taipei 2019, MSI received four design awards for the products: Trident X series desktop PC, gaming laptop GS75, Prestige PS341WU display, and MS-9A79 palm-size shockproof fanless Box PC. ● In the 18th COMPUTEX Best Choice Award, 5 of MSI's products beat the other 300 competitors and won 5 awards. The flagship gaming laptop MSI GT76 Titan has the most stunning performance and won the gold award. MSI Trident X Plus gaming PC, MSI Optix MPG341CQR monitor, MSI Prestige P100 Series creator PC, and MS-9A95 AIoT cloud server and smart management solution for global customer service under the edge computing structure received the "Category Rewards." It proves MSI's dominant position in the global gaming field, and ambition to extend into the creator market. ● Branding Taiwan valuation is hosted by the Industrial Development Bureau, MOEA. The Taiwan Institute of Economic Research hires the global brand valuation institution Interbrand to conduct the valuation by the same method used in the "Top 100 Global Brands" for BusinessWeek. The valuation result is an important indicator for measuring the positions of Taiwanese brands in the international market. MSI was selected as Top 20 Brands again in 2019.
2020	<ul style="list-style-type: none"> ● The global leading brand of gaming product MSI is recognized for its countless elite performance. It receives the CES Innovation Award 2020 in 10 categories. ● MSI is the leader of the gaming industry, has a strong brand, and again won the 28th Taiwan Excellence Award that covers four major aspects of "R&D," "Design," "Quality," and "Marketing." Subject to the prudent evaluation by the judges, MSI received 9 distinctions in the Taiwan Excellence Award 2020. Among others, the Prestige P100 desktop PC in the Content Creation series has won the Taiwan Excellence Silver Award 2020. ● In 2020, MSI GS66 Stealth gaming laptop, MSI MPG SEKIRA 500X gaming chassis, and MSI MPG SEKIRA 500G multitasking computer chassis stood out among other competitors' products, and won the Germany iF Design Award 2020, the Academy Award in the world of design. ● MSI was selected as Top 20 Brands again in 2020.
2021	<ul style="list-style-type: none"> ● With the strong strength of an e-sports and creators' leading brand, MSI was selected by the expert review team at the 29th Taiwan Excellence Award based on 4 major criteria: "R&D", "Design", "Quality", and "Marketing", and after rigorous evaluation, MSI won 7 awards in the 2021 Taiwan Excellence Award, among which, Creator P100 creator desktop won the 2021 Taiwan Excellence Silver Award. ● MSI's achievements at CES 2021 were eye catching. The latest series won 15 CES Best Innovation Awards in three gaming and computer product categories. ● MSI MAG Trident S Gaming Desktop won the 2021 iF Design Award. ● MSI won the 18th place in the Taiwan Brand Value Survey.
2022	<ul style="list-style-type: none"> ● MSI's design capability to commit "Tech meets Aesthetic" is unquestionable, and five of its latest products, Creator Z16P, Creator Z17, Modern 14/15 and Gaming DT MAG Trident S won the Red Dot Product Design Awards 2022 for outstanding design. ● MSI earns another three prizes in the prestigious iF DESIGN AWARD in Gaming Hardware/VR/AR category. The winning products are the top-tier Stealth GS77 gaming laptop, MEG Z690 GODLIKE, and MPG Z690 FORCE WIFI motherboards.

	<ul style="list-style-type: none"> ● We had an extraordinary presentation during CES 2022. 16 of our products received innovation awards in five categories, including: “Gaming,” “Computer Hardware & Components,” “High-Performance Home Audio & Video,” “Home Audio & Video,” and “Computer Peripherals & Accessories.” ● Applying Quantum Dot, our gaming curved screen, MPG ARTYMIS 273CQRX-QD, and the DMIT Solution received Taiwan Excellence 2022 Award. ● Our brand, MSI, was awarded 17th place in the “2022 Best Taiwan Global Brand” by the Industrial Development Bureau. ● MSI was chosen as a 2022 Top 100 company in Taiwan by foreign investors. ● The Ministry of Labor has established “Guidance on OSH Indicators for CSR Reporting towards SDGs,” promoting a healthy workplace for sustainable labor development in 2022, initiated the first related disclosure of the results of the related baseline survey and evaluation. MSI together with 24 electronic companies and 5 financial holdings (total 29 companies) were elected as best performance company. ● An environmental protection award honoring our efforts in energy conservation, waste reduction, and green production was received from the Environmental Protection Administration.
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1. The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following, Investment, merger and acquisition activities, corporate reorganization : None.
 - (1) The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following, merger and acquisition activities, corporate reorganization : None.
 - (2) Investment in affiliates in the past year and up to the date of report :
For investments in affiliated enterprises, please see page **105~107** of this report.
2. Instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity. This section shall further explain how the above matters will affect the company: None.

III. Corporate governance report

(I) Corporate Organization
1. Organization Chart



2. Major Corporate Function

Department	Functions
Internal Audit Office	To investigate and assess the soundness, suitability, adequacy, status of implementation, and operating performance of departmental internal controls.
Management Committee	Analyze and discuss group strategy, operation, organization, senior manager appointment and removal, investment required for business development, new business and other critical topics; provide consultation and recommendations for the Board of Directors, and lead the management team to implement.
President	To manage the corporate operation and development affairs, to set development and operational goals, and to supervise implement process.
Global Management Center	Handle the general management and development of the company, including logistics, intellectual property management, sustainable business development planning, implementation and management, information system development, hardware and system software usage and maintenance, human resources administration, employee welfare, training and HR development, general affairs, factory affairs and asset management. Provide management and strategy recommendations to the President based on operational statistics.
Finance Center	(1) Accounting Division: Accounting and billing affairs, voucher preparation, receipt review, and financial reports' preparation and analysis. (2) Finance Division: Fund dispatch, risk management, and registrar and transfer operation. (3) Global Finance Division: investment management.
Legal Affairs Office	Responsible for regulatory compliance of the Company, contracts review and litigations.
OSH Office	Promote the actions in work safety and health.
EP & CSR Committee	Promote the actions of environmental protection and corporate social responsibility programs, review the annual objectives of economic, environmental, and social aspects, and periodically supervise the enforcement.
Info. Security Mgmt Committee	Responsible for planning the information security system, monitoring and executing the information security management processes.
Each Products B.U.	Product development, sales and related business.
Corp.Sales & Marketing	PO management, market cultivation, business information collection, and customer credit investigation.
Corp.R&D	Design, development and quality control of products; process enhancement; and technology improvement.
Corp.Supply Chain	Procurement, control and management of raw materials, and production scheduling and management.
Corp. Manufacture	Product manufacturing.
Corp.Quality Assurance	Quality assurance, quality control, customer complaints, and post-delivery service.

(II) Directors, Supervisors, President, Vice President, Assistant VP, and department heads

1. Directors

As of: April 17, 2023 Unit: Shares

Title	Nationality/ Country of Origin	Name	Gender Age	Date elected	Term (Years)	Date of first elected	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Executives, Directors or Supervisors who are spouses or within two degrees			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%	Title	Name	Relation	
Chairman.	R.O.C	Hsu,Hsiang	Male 61-70	2021.07.16	3	1986.07.23	51,983,151	6.15%	46,883,151	5.55%	18,508,517	2.19%	9,376,328	1.11%	—	—	—	
Vice Chairman		Huang,Chin-Ching	Male 61-70	2021.07.16	3	1986.07.23	20,937,377	2.48%	20,937,377	2.48%	2,148,564	0.25%	7,521,761	0.89%	Director	Liao,Chun-Keng	2nd consanguinity	
Director		Lin,Wen-Tung	Male 61-70	2021.07.16	3	1986.07.23	25,672,499	3.04%	25,672,499	3.04%	62,895	0.01%	—	—	—	—	—	
Director		Yu,Hsien-Neng	Male 61-70	2021.07.16	3	1986.07.23	17,892,824	2.12%	17,892,824	2.12%	184,922	0.02%	—	—	—	—	—	
Director		Kuo,Hsu-Kuang	Male 51-60	2021.07.16	3	2018.06.15	75,000	0.01%	100,000	0.01%	0	0.00%	—	—	—	—	—	
Director		Liao,Chun-Keng	Male 51-60	2021.07.16	3	2018.06.15	60,000	0.01%	65,000	0.01%	0	0.00%	—	—	Vice Chairman	Huang,Chin-Ching	2nd consanguinity	
Director		Hung,Yu-Sheng	Male 51-60	2021.07.16	3	2018.06.15	306,660	0.04%	306,660	0.04%	0	0.00%	—	—	—	—	—	
Director		Chen,Te-Ling	Female 41-50	2021.07.16	3	2021.07.16	0	0.00%	5,000	0.00%	0	0.00%	—	—	—	—	—	
Independent Director (Note)		Hsu,Jun-Shyan	Male 51-60	2021.07.16	3	1997.04.19	490,415	0.06%	490,415	0.06%	476,000	0.06%	—	—	—	—	—	
Independent Director		Liu,Cheng-Yi	Male 61-70	2021.07.16	3	2012.06.15	0	0.00%	0	0.00%	0	0.00%	—	—	—	—	—	
Independent Director (Note)		Hsu,Kao-Shan	Male 61-70	2021.07.16	3	1998.02.28	418,686	0.05%	418,686	0.05%	220,924	0.03%	—	—	—	—	—	

Note : Mr. Hsu, Jun-Shyan, existing supervisor between April 19, 1997 and June 14, 2018 and elected as independent director on July 16, 2021. Mr. Hsu, Kao-Shan, existing director between Feb 28, 1998 and June 14, 2006, was elected as supervisor between June 14, 2006 and June 12, 2015, resigned on May 20, 2016, and elected as independent director on June 15, 2018.

Title	Name	Education	Current Job	
		Experience	Title	Representative
Chairman	Hsu,Hsiang	The electronic engineering from National Cheng Kung University. The engineer of Sony Industries Taiwan Co., Ltd.	The Chairman of MSI Director & President of MICRO-STAR NETHERLANDS HOLDING B. V.	MICRO STAR INTERNATIONAL CO., LTD.
Vice Chairman	Huang,Chin-Ching	The electronics from Chung Yuan Christian University. The engineer of Sony Industries Taiwan Co., Ltd.	The Vice Chairman and president of MSI Director & President of the following companies: MSI COMPUTER (AUSTRALIA) PTY. LTD. MSI COMPUTER CAYMAN CO., LTD. Director of the following company: MSI COMPUTER CORP. Executive Director of the following company: MSI ELECTRONIC (KUNSHAN) CO., LTD.	MICRO STAR INTERNATIONAL CO., LTD. MICRO STAR INTERNATIONAL CO., LTD. MICRO STAR INTERNATIONAL CO., LTD. MICRO ELECTRONICS
Director	Lin,Wen-Tung	The electronic engineering from the Lien Ho Industrial and Technological Junior College. The engineer of Sony Industries Taiwan Co., Ltd.	The Senior Vice President of MSI Director & President of MSI COMPUTER JAPAN CO., LTD. Director of the following company: MSI COMPUTER (AUSTRALIA) PTY. LTD.	MICRO STAR INTERNATIONAL CO., LTD. MICRO STAR INTERNATIONAL CO., LTD.
Director	Yu,Hsien-Neng	The electronics from Feng Chia University. The engineer of Sony Industries Taiwan Co., Ltd.	The Senior Vice President of MSI Director & President of the following companies: MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. MSI POLSKA SP. Z O.O Director of the following company MSI COMPUTER CORP. Executive Director of the following companies: MSI COMPUTER (SHENZHEN) CO., LTD. SHENZHEN MEGA INFORMATION CO., LTD.	MSI PACIFIC MSI HOLDING MICRO STAR INTERNATIONAL CO., LTD. MSI(B.V.I.) MSI PACIFIC
Director	Kuo,Hsu-Kuang	The master of business administration from University of Southern Queensland The manager of Chun-Sheng Computer	The Executive Vice President & NB BU GM of MSI	
Director	Liao,Chun-Keng	The master of business administration from University of South Australia The sales manager of Magic Systech Inc	The Executive Vice President & GNP BU GM of MSI	
Director	Hung,Yu-Sheng	ITI International Business Administration Program Shih Chien College of Design and Management MA of Pou Chen Group	The Executive Vice President & CND BU GM of MSI	
Director	Chen,Te-Ling	Department of Foreign Languages and Literatures, National Taiwan University. D-Link Corporation Administrator	VicePresident of Procurement Division of MSI	
Independent Director	Hsu,Jun-Shyan	The master of accounting from National Taipei University. Supervisor of MSI Tung Shing & Co. C.P.A.	Accountnat of Chung Feng Accounting Firm	
Independent Director	Liu,Cheng-Yi	The master of science in finance from The City University of New York. Director of Administration Division of Micro Star International Co., Ltd. Supervisor of TXC CORPORATION Independent Director of Jochu Technology Co., Ltd. The Assistant Manager of Twin Head International Corp.	None	
Independent Director	Hsu,Kao-Shan	Criminal investigation of Central Police University Supervisor of Micro Star International Co., Ltd. Attorney of Yung Jan Attorneys-At-Law	Li Tsai Attorneys-At-Law	

(1)Disclosure of Information about Professional Qualifications of Directors and Independence of Independent Directors:

A. Professional Qualifications of Directors

Qualification Name	Professional Qualifications and Experiences	Professional Specializations of Board Members	Diversity of Board of Directors
Hsu, Hsiang	37 years of experience being Board director, one of the founders of the Company. Current chairman and former president. Familiar with the technological development of the ICT industrial chain. Having the management skills of research and development, corporate governance, financial accounting, commerce, and marketing, professionalism of industrial development and insights of technical application. Developing the operational guidelines and management strategies for the Company.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making/finance/accounting/law	<p>Policy of diversity, targets, and achievements:</p> <ol style="list-style-type: none"> The Company has the "Corporate Governance Principles" in place and diversified policies are established with regard to the composition of members of the Board of Directors. The directors (including independent directors) are nominated. The Board of Directors members are nominated according to law by shareholders and elected during a shareholders' meeting. According to Article 20 of the Company's "Rules of Corporate Governance": Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The members of board of directors possess a diverse range of expertise in the fields of Operational Decision Making, Operations Management, Crisis Management, Industry Knowledge, International Market Outlook, Leadership Decision Making, Finance & Accounting and law, can adequately fulfill the Company's future development needs. The Company's Board members are specialists of technology industry, sales, commerce, finance and accounting, and law. The policy of diversity is complied with. Currently, ten Board members are male and one is female (respectively 91% and 9% of the Board body). Eight of them are also employees, and three of them are non-employees (respectively 73% and 27% of the Board body). The directors are between 47 and 66 years old, with an average of 59 years old. The reelection of directors of the current term of office (2021/7/16–2024/7/15) is completed. The goals of adding one female director and lowering the age of directors are achieved. More diverse courses will be made available to Board members for building cross-disciplinary expertise and knowledge.
Huang, Chin-Ching	37 years of experience being Board director one of the founders of the Company. Current Former vice chairman and president. Former Senior Vice President of Management Committee, president of laptop business department, senior vice president of research and development headquarters. Having the professionalism of research and development, corporate governance, commerce, and marketing. Leading the management team to execute the operational plans.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Lin, Wen-Tung	37 years of experience being Board director, one of the founders of the Company. Current Senior Vice President of Management Committee, and former vice president of procurement headquarters. Specialized in research and development, procurement, and supply chain management.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Yu, Hsien-Neng	37 years of experience being Board director, one of the founders of the Company. Current Senior Vice President of Management Committee, and former senior vice president of factory administration headquarters. Specialized in research and development, and manufacturing management.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Kuo, Hsu-Kuang	5 years of experience being Board director. Former sales manager of sales headquarters, vice sales president of laptop business department. Current vice executive president and president of laptop business headquarters. Specialized in international marketing, and sales management.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Liao, Chun-Keng	5 years of experience being Board director. Former sales manager of sales headquarters, vice sales president of multimedia business department. Current vice executive president and president of image processing and peripheral integration business headquarters. Specialized in international marketing, and sales management.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Hung, Yu-Sheng	5 years of experience being Board director. Former Europe regional president of sales headquarters, vice president of sales headquarters. Current vice sales president and president of computer processing and display business headquarters. Specialized in international marketing, and sales management.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Chen, Te-Ling	2 year of experience being Board director. Current vice president of procurement headquarters. Specialized in procurement, and supply chain management.	Operational judgement/operations management/risk handling/industrial knowledge/international market vision/leadership and decision-making	
Hsu, Jun-Shyan	23 years of experience being Board director and supervisor. A CPA with 31 years of experience. Strong experiences in tax, accounting, and audit.	Operations management/ industrial knowledge/international market vision/accounting	
Liu, Cheng-Yi	10 years of experience being finance and accounting manager of listed company, 15 years of experience being independent director and supervisor, with professional finance and accounting background.	Operations management/ industrial knowledge/international market vision/ finance	
Hsu, Kao-Shan	21 years of experience being Board director (supervisor), and 33 years of experience being attorney. Currently working as attorney, commissioner of the Taipei Bar Association Civil Law Committee. With lots of legal experiences.	Operations management/ industrial knowledge/international market vision/law	

B. Independence of Independent Directors

Qualification Name	Professional Qualifications and Experiences	Accounting or finance background, and work experience of Audit Committee member with accounting and finance background	Independence	Also an independent director of other public company
Hsu, Jun-Shyan	Chief coordinator of Audit Committee Commissioner of Remuneration Committee	31 years of experience working as CPA. Currently working as CPA. Has lots of tax, accounting, and audit experience.	<p>All independent directors meet the qualifications set forth in Article 2, and paragraph 1, Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”</p> <ol style="list-style-type: none"> 1. Not an employee of the company or its affiliate. 2. Not a director or supervisor of the company or its affiliate (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company). 3. Not the person himself, spouse or minor child, or individual shareholder holding more than 1% of the company’s outstanding shares in the name of a third party, or top 10 shareholder. 4. Not the spouse, relative within the second degree of consanguinity, or direct blood relative within the third degree of consanguinity of a manager, a person under (2) or (3). 5. Not directly holding more than 5% of the company’s outstanding shares, top 5 shareholder, or a director, supervisor or employee of a corporate shareholder appointing its representative as the director or supervisor of the company pursuant to Article 27 paragraphs 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company). 6. Not a director, supervisor, or employee of a company controlled by the same person holding the majority of the Board or the voting shares of the company and the other company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company). 7. Not a director (governor), supervisor, or employee of a company or institution whose chairman, president, or a person holding an equivalent position is the same person or the spouse of the chairman, president, or a person holding an equivalent position at the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company). 8. Not a director (governor), supervisor, manager, or shareholder with more than 5% shareholding of a specific company or institution having financial or business relationship with the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company). 9. Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or their spouses, who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider has received cumulative compensation exceeding NT\$500,000 in the past 2 years; provided however that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act. 10. Not a spouse or relative within the second degree of consanguinity of any other director. 11. No such situation under Article 30 of the Company Act. 12. Not a government, corporate or its representative elected pursuant to Article 27 of the Company Act. 	0
Liu, Cheng-Yi	Commissioner of Audit Committee Commissioner of Remuneration Committee	10 years of experience being finance and accounting manager of listed company, 12 years of experience being independent director, and 3 years of experience being supervisor, with professional finance and accounting background.		0
Hsu, Kao-Shan	Commissioner of Audit Committee Chief coordinator of Remuneration Committee	-		0

(2) Independence of Board of Directors: The Company’s Board meets the standards of independence.

A. There are eleven directors on the Board, eight of them are regular directors (73%) and three of them are independent directors (27%). Eight of them are also employees (73%), and three of them are non-employees (27%). Director Huang, Chin-Ching and director Liao, Chun-Keng are second-degree relatives (19%), other directors do not have any relationship or any condition set forth paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act with each other.

B. All directors, their spouses, and relatives within two degrees own 2,657,934 shares, or 0.31% of the Company’s shares (by themselves or under others’ names).

C. No directors, their spouses, or relatives within two degrees are directors, supervisors or employees of any related companies of the Company (pursuant to subsections 5 to 8, subparagraph 1, Article 3 of the Regulations) Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

D. No directors, their spouses, or relatives within two degrees have provided commercial, legal, financial, or accounting services to the Company or its affiliates within the last two years, and did not receive any remuneration.

2. Information of the management

Base Date: April 17, 2023 Unit: Shares

Title	Nationality /Country of Origin	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Shareholding Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
					Chairman		Hsu,Hsiang	Male	1994.4	46,883,151			5.55%	18,508,517	2.19%	
President (Note)		Huang,Chin-Ching	Male	2001.7	20,937,377	2.48%	2,148,564	0.25%	7,521,761	0.89%	The electronics from Chung Yuan Christian University. The engineer of Sony Industries Taiwan co., Ltd.	Refer to page 10	SVP	Liao,Chun-Keng	Note	
Senior Vice President of Management Committee		Lin,Wen-Tung	Male	2001.7	25,672,499	3.04%	62,895	0.01%	—	—	The electronic engineering from the Lien Ho Industrial and Technological Junior College. The engineer of Sony Industries Taiwan co., Ltd.	Refer to page 10	—	—	—	
Senior Vice President of Management Committee		Yu,Hsien-Neng	Male	2001.7	17,892,824	2.12%	184,922	0.02%	—	—	The electronics from Feng Chia University. The engineer of Sony Industries Taiwan co., Ltd.	Refer to page 10	—	—	—	
Senior Vice President of Management Committee	R.O.C	Lu,Chi-Long	Male	2001.7	18,650,835	2.21%	325,648	0.04%	—	—	The electronics from National Taiwan University of Science and Technology. The engineer of Sony Industries Taiwan co., Ltd.	None	—	—	—	
Executive Vice President & NB BU GM		Kuo,Hsu-Kuang	Male	2013.4	100,000	0.01%	0	0.00%	—	—	The master of business administration from University of Southern Queensland The manager of Chun-Sheng Computer	None	—	—	—	
Executive Vice President & GNP BU GM (Note)		Liao,Chun-Keng	Male	2014.4	65,000	0.01%	0	0.00%	—	—	The master of business administration from University of South Australia The Sales Manager of Magic Systech Inc.	None	EVP & GNP BU GM	Huang,Chin-Ching	Note	
Executive Vice President & CND BU GM		Hung,Yu-Sheng	Male	2012.4	306,660	0.04%	0	0.00%	—	—	ITI International Business Administration Program Shih Chien College of Design and Management MA of Pou Chen Group	None	—	—	—	
EPS BU GM		Tsai,Rong-Fong	Male	2010.3	103,647	0.01%	297,646	0.04%	—	—	The electronics from Chung Yuan Christian University. The General Manager of DTK Technology (Hong Kong).	None	—	—	—	
ACS BU GM		Huang,Wen-Shan	Male	2019.12	723	0.00%	0	0.00%	—	—	The electronics from National Taiwan University of Science and Technology. Twinhead International Corp. Assistant Manager	None	—	—	—	
Vice President & CPS BU GM	R.O.C	Wu,Ta-Hsin	Male	2019.1	0	0.00%	0	0.00%	—	—	Communications, University of the Pacific. FIC Sales Director	None	—	—	—	

Vice President of Corp. R&D	Teng,Chi-Hung	Male	2010.3	543,183	0.06%	1,124	0.00%	—	—	The institute of electronics from National Chiao Tung University. Ali Corporation Technical Manager	None	—	—	—
Vice President of Corp. Manufacture & Quality Assurance	Li,Chao-Ming	Male	2010.3	11,498	0.00%	0	0.00%	—	—	The master of mechanical system from University of Liverpool ACER INCORPORATED Manager	President of the following companies: MSI COMPUTER (SHENZHEN) CO., LTD. MSI ELECTRONICS (KUNSHAN) CO., LTD. SHENZHEN MEGA INFORMATION CO., LTD.	—	—	—
Vice President of Corp. Sales & Marketing	Chiu,Chih-Keng	Male	2015.4	152,925	0.02%	0	0.00%	—	—	Institute of Technology and Industrial Engineering from St. John's & St. Mary's College DTK Computer M.D.	Director on behalf of MSI HOLDING & President of the following companies: MSI COMPUTER SARL MSI COMPUTER EUROPE B.V. MYSTAR COMPUTER B.V. MSI COMPUTER (UK) LTD. MSI ITLAY S.R.L. LLC « MSI COMPUTER » MSI IBERIA S.L. (MICRO-STAR NETHERLANDS HOLDING B.V. representative)	—	—	—
Vice President of Corp. Sales & Marketing	Tung,Ti-Chun	Male	2019.4	13,000	0.00%	0	0.00%	—	—	University of Phoenix DFI-I TOX Inc. Tech Support & MIS	Director & President of MSI COMPUTER CORP. and MICRO-STAR CANADA LTD. (MICRO-STAR INTERNATIONAL CO., LTD. representative)	—	—	—
Vice President of Corp. Supply Chain	Chen,Te-Ling	Female	2019.1	5,000	0.00%	0	0.00%	—	—	Department of Foreign Languages and Literatures,National Taiwan University . D-LINK CORPORATION Administrator	None	—	—	—
Vice President of NB BU R&D Division	Lin,Chin-Kuan	Male	2014.4	363,375	0.04%	0	0.00%	—	—	Institute of Electrical and Control Engineering from National Chiao Tung University Wistron Corporation Manager	None	—	—	—
Vice President of NB BU R&D Division	Lu,Kuo-Huang	Male	2017.4	0	0.00%	0	0.00%	—	—	Hwa Hsia Institute of Agricultural Technology	None	—	—	—
Vice President of NB Product Mgt. Division	Peng,Jen-Fang	Male	2017.4	159,671	0.02%	0	0.00%	—	—	National Taiwan University of Science and Technology	None	—	—	—
Vice President of NB Operations Mgt. Division	Pan,Tsai-Yu	Male	2019.4	0	0.00%	0	0.00%	—	—	National Taiwan University Of Science and Technology Askey Computer Corporation. Manager	None	—	—	—
Vice President of NB OEM sales Division	Huang,Wen-Hui	Female	2021.4	200	0.00%	0	0.00%	—	—	The master of business administration from University of South Australia The Purchasing Manager of Fujitsu Technology	None	—	—	—
Vice President of NB Sales Division	Chen,Li-Chun	Male	2023.4	—	—	1,100	0.00%	—	—	The master of Business Administration from University of Illinois at Chicago MiTAC Holdings Corporation. Product manager	None	—	—	—
Vice President of CNB BU	Yeh,Chun-Te	Male	2020.4	10,000	0.00%	3,155	0.00%	—	—	Sze Hai Institute of Technology and Commerce First International Computer Supervisor	None	—	—	—
Vice President of EPS BU Sales & Marketing Division	Lu,Cheng-Lung	Male	2015.4	91,555	0.01%	0	0.00%	—	—	Department of Business Administration, Tamkang University JUMBO POWER TRADING CO., LTD. Special Assistant	None	—	—	—

Vice President of Corp. Marketing Division	R.O.C	Cheng,Hui-Cheng	Male	2019.4	1,000	0.00%	0	0.00%	—	—	Fu Jen Catholic University Wistron Corporation. Product manager	None	—	—	—
Vice President of Global Management Center		Tsai,Wei-Hsin	Male	2010.3	77	0.00%	0	0.00%	—	—	Chinese Culture University Department of International Business Administration LITE-ON TECHNOLOGY CORP. Communications Group Accounting Department Assistant Vice President	None	—	—	—
Vice President of Finance Center		Hung,Pao-Yu	Female	2016.4	343,218	0.04%	0	0.00%	—	—	Finance MBA, National Taiwan University President Securities Corp. Underwriting Department Manager	Supervisor of the following companies: MSI COMPUTER (SHENZHEN) CO., LTD. MSI(B.V.I.) Representative SHENZHEN MEGA INFORMATION CO., LTD. (MSI PACIFIC Representative) MSI (Shanghai) Co., Ltd. (MSI PACIFIC Representative) Director on behalf of MICRO STAR of the following company: MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. INDOMSI COMPUTERS PRIVATE LTD. Director on behalf of MSI PACIFIC of the following companies: MICRO ELECTRONICS HOLDING CO., LTD. MEGA TECHNOLOGY HOLDING CO., LTD. MEGA COMPUTER CO., LTD. MHK INTERNATIONAL CO., LTD. Director on behalf of MEGA TECHNOLOGY of the following company: RAIDEALS INC.	—	—	—
Assistant Vice President of Internal Auditing Office		Liu,Chu-Hao	Male	2010.3	10,000	0.00%	14,609	0.00%	—	—	Department of Accounting, Tamkang University Mag Technology Co., Ltd. Audit Assistant Manager	Supervisor of MSI ELECTRONIC (KUNSHAN) CO., LTD (MICRO ELECTRONICS Representative) Supervisor of MSI KOREA CO., LTD.(MSI PACIFIC Representative) Supervisor of MSI COMPUTER JAPAN CO., LTD. (MICRO STAR Representative)	—	—	—

Note : Mr. Huang,Chin-Ching and Mr. Liao,Chun-Keng are 2nd consanguinity

3. The Chairman, president, or equivalent officer (the most senior manager) is the same person, are spouses, or relatives within the first degree of consanguinity:None.

(III) Remuneration paid during the most recent fiscal year to directors, supervisors, president and vice presidents

1. Remuneration of Directors and independent Directors

Unit : NT\$

Title	Name	Remuneration of Directors								Remuneration received by Directors who are also employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation(A)		Severance Pay(B)		Remuneration to Directors (C)		Allowances(D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Salary, Bonuses, and Allowances(E)		Severance Pay (F)		Remuneration to Employee(G)						
		MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	Cash amount	Stock amount	Cash amount	Stock amount		MSI	Companies in the consolidated financial statements
Chairman	Hsu,Hsiang																					
Vice Chairman	Huang,Chin-Ching																					
Director	Lin,Wen-Tung																					
Director	Yu, Hsien-Neng	0	0	0	0	54,400,000	54,400,000	0	0	0.55%	0.55%	148,596,283	148,596,283	0	0	55,300,000	0	55,300,000	0	258,296,283 2.59%	258,296,283 2.59%	None
Director	Kuo,Hsu-Kuang																					
Director	Liao,Chun-Keng																					
Director	Hung,Yu-Sheng																					
Director	Chen,Te-Ling																					
Independent Director	Hsu,Jun-Shyan																					
Independent Director	Liu,Cheng-Yi	0	0	0	0	20,400,000	20,400,000	0	0	0.20%	0.20%	0	0	0	0	0	0	0	0	20,400,000 0.20%	20,400,000 0.20%	None
Independent Director	Hsu,Kao-Shan																					

1. Please describe the payment policy, system, standard and structure of the independent director remuneration, and the relevance between the amount of the remuneration and the responsibilities, risks, contributed time, and other factors: Pursuant to Article 16-4 of the company's bylaws, and based on the company's operational performance, director's performance, and payment standard of the same industry, the remuneration committee will propose the recommendations to the Board of Directors to decide the remuneration of the company's independent directors.

2. Remuneration received in the most recent year by the director of the company for rendering services (If working as a consultant not employed with the parent Company/all companies listed in the financial reports/affiliated companies) to any company listed in the Financial Report : None.

Remuneration Bracket

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	MSI	Companies in the consolidated financial statements H	MSI	Companies in the consolidated financial statements (I)
Below 1,000,000				
1,000,000(included)~2,000,000(excluded)				
2,000,000(included)~3,500,000(excluded)				
3,500,000(included)~5,000,000(excluded)				
5,000,000(included)~10,000,000(excluded)	Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng、Chen,Te-Ling、Hsu,Jun-Shyan、Liu, Cheng-Yi、Hsu,Kao-Shan	Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu, Hsien-Neng、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng、Chen,Te-Ling、Hsu,Jun-Shyan、Liu, Cheng-Yi、Hsu,Kao-Shan	Hsu,Jun-Shyan、Liu, Cheng-Yi、Hsu,Kao-Shan	Hsu,Jun-Shyan、Liu, Cheng-Yi、Hsu,Kao-Shan
10,000,000(included)~15,000,000(excluded)			Yu, Hsien-Neng、Chen,Te-Ling	Yu, Hsien-Neng、Chen,Te-Ling
15,000,000(included)~30,000,000(excluded)			Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng、	Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Sheng、
30,000,000(included)~50,000,000(excluded)				
50,000,000(included)~100,000,000(excluded)				
Over \$100,000,000				
Total	74,800,000	74,800,000	278,696,283	278,296,283

2. Remuneration of President and Vice Presidents

Unit : NTS

Title	Name	Salary(A)		Severance Pay(B)		Bonuses and Allowances (C)		Remuneration to Employee(D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI	Companies in the consolidated financial statements	MSI		Companies in the consolidated financial statements		MSI	Companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Hsu,Hsiang													
President	Huang,Chin-Ching													
Senior Vice President of Management Committee	Lin,Wen-Tung													
Senior Vice President of Management Committee	Yu,Hsien-Neng													
Senior Vice President of Management Committee	Lu,Chi-Long													
Executive Vice President & NB BU GM	Kuo,Hsu-Kuang													
Executive Vice President & GNP BU GM	Liao,Chun-Keng													
Executive Vice President & CND BU GM	Hung,Yu-Sheng													
EPS BU GM	Tsai,Rong-Fong													
ACS BU GM	Huang,Wen-Shan													
Vice President & CPS BU GM	Wu,Ta-Hsin													
Vice President of Corp. R&D	Teng,Chi-Hung													
Vice President of Corp. Manufacture & Quality Assurance	Li,Chao-Ming													
Vice President of Corp. Sales & Marketing	Chiu,Chih-Keng	82,744,114	82,744,114	1,942,866	1,942,866	275,641,000	275,641,000	121,600,000	0	121,600,000	0	481,927,980 4.84%	481,927,980 4.84%	None
Vice President of Corp. Sales & Marketing	Tung,Ti-Chun													
Vice President of Corp. Supply Chain	Chen,Te-Ling													
Vice President of NB BU R&D Division	Lin,Chin-Kuan													
Vice President of NB BU R&D Division	Lu,Kuo-Huang													
Vice President of NB Product Mgt. Division	Peng,Jen-Fang													
Vice President of NB Operations Mgt. Division	Pan,Tsai-Yu													
Vice President of NB OEM sales Division	Huang,Wen-Hui													
Vice President of NB Sales Division	Chen,Li-Chun													
Vice President of CND BU	Yeh,Chun-Te													
Vice President of EPS BU Sales & Marketing Division	Lu,Cheng-Lung													
Vice President of Corp. Marketing Division	Cheng,Hui-Cheng													
Vice President of Global Management Center	Tsai,Wei-Hsin													
Vice President of Finance Center	Hung,Pao-Yu													

Remuneration Bracket

Range of Remuneration	Name of President and Vice President	
	MSI	Companies in the consolidated financial statements E
Below 1,000,000		
1,000,000(included)~2,000,000(excluded)		
2,000,000(included)~3,500,000(excluded)		
3,500,000(included)~5,000,000(excluded)		
5,000,000(included)~10,000,000(excluded)	Huang,Wen-Hui、Lu,Cheng-Lung、Cheng,Hui-Cheng	Huang,Wen-Hui、Lu,Cheng-Lung、Cheng,Hui-Cheng
10,000,000(included)~15,000,000(excluded)	Tsai,Rong-Fong、Huang,Wen-Shan、Lu,Kuo-Huang、Pan,Tsai-Yu、Tsai,Wei-Hsin、Hung,Pao-Yu、Chen,Li-Chun	Tsai,Rong-Fong、Huang,Wen-Shan、Lu,Kuo-Huang、Pan,Tsai-Yu、Tsai,Wei-Hsin、Hung,Pao-Yu、Chen,Li-Chun
15,000,000(included)~30,000,000(excluded)	Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu,Hsien-Neng、Lu,Chi-Long、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Shen、Chen,Te-Ling、Wu,Ta-Hsin、Teng,Chi-Hung、Li,Chao-Ming、Chiu,Chih-Keng、Tung,Ti-Chun、Lin,Chin-Kuan、Peng,Jen-Fang、Yeh,Chun-Te	Hsu,Hsiang、Huang,Chin-Ching、Lin,Wen-Tung、Yu,Hsien-Neng、Lu,Chi-Long、Kuo,Hsu-Kuang、Liao,Chun-Keng、Hung,Yu-Shen、Chen,Te-Ling、Wu,Ta-Hsin、Teng,Chi-Hung、Li,Chao-Ming、Chiu,Chih-Keng、Tung,Ti-Chun、Lin,Chin-Kuan、Peng,Jen-Fang、Yeh,Chun-Te
30,000,000(included)~50,000,000(excluded)		
50,000,000(included)~100,000,000(excluded)		
Over \$100,000,000		
Total	481,927,980	481,927,980

Names of managers receiving remuneration to employees, and status of allocation thereof

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managers	Chairman	Hsu,Hsiang	0	123,200,000	123,200,000	1.24%
	President	Huang,Chin-Ching				
	Senior Vice President of Management Committee	Lin,Wen-Tung				
	Senior Vice President of Management Committee	Yu,Hsien-Neng				
	Senior Vice President of Management Committee	Lu,Chi-Long				
	Executive Vice President & NB BU GM	Kuo,Hsu-Kuang				
	Executive Vice President & GNP BU GM	Liao,Chun-Keng				
	Executive Vice President & CND BU GM	Hung,Yu-Sheng				
	EPS BU GM	Tsai,Rong-Fong				
	ACS BU GM	Huang,Wen-Shan				
	Vice President & CPS BU GM	Wu,Ta-Hsin				
	Vice President of Corp. R&D	Teng,Chi-Hung				
	Vice President of Corp. Manufacture & Quality Assurance	Li,Chao-Ming				
	Vice President of Corp. Sales & Marketing	Chiu,Chih-Keng				
	Vice President of Corp. Sales & Marketing	Tung,Ti-Chun				
	Vice President of Corp. Supply Chain	Chen,Te-Ling				
	Vice President of NB BU R&D Division	Lin,Chin-Kuan				
	Vice President of NB BU R&D Division	Lu,Kuo-Huang				
	Vice President of NB Product Mgt. Division	Peng,Jen-Fang				
	Vice President of NB Operations Mgt. Division	Pan,Tsai-Yu				
	Vice President of NB OEM sales Division	Huang,Wen-Hui				
	Vice President of NB Sales Division	Chen,Li-Chun				
	Vice President of CND BU	Yeh,Chun-Te				
	Vice President of EPS BU Sales & Marketing Division	Lu,Cheng-Lung				
	Vice President of Corp. Marketing Division	Cheng,Hui-Cheng				
	Vice President of Global Management Center	Tsai,Wei-Hsin				
Vice President of Finance Center	Hung,Pao-Yu					
Assistant Vice President of Internal Auditing Office	Liu,Chu-Hao					

3.The Company is in any situation under Article 10, paragraph 1, subparagraph 3, subsections 2-1 or 2-5 of the Regulations Governing Information to be Published in

Annual Reports of Public Companies: No

4. Compare and state the ratio of total remuneration paid to the company's Directors, Supervisors, President, and V.P. by the company and the companies in the consolidated financial statements to net income in the last two years; also, describe the policy, standard, and combination of remuneration paid; moreover, the procedure of defining remuneration and its relation to business performance and future risks

(1) Analyze the ratio of the total remuneration paid to the company's Directors, Supervisors, President, and V.P. in the last two years to net income:

Year Item	Directors & Supervisors		President and Vice President	
	Ratio of the total remuneration paid to the company's Directors, Supervisors in the last two years to net income		Ratio of the total remuneration paid to the President, and V.P. in the last two years to net income	
	2022	2021	2022	2021
	0.75%	0.64%	4.84%	3.58%
1. Policies of remuneration	<p>Articles 19-1 of Incorporation of Micro-Star International Co., Ltd. The pre-tax income of the current fiscal year shall first offset the accumulated deficits. If the balance is positive, then the Company shall allocate the remuneration to be distributed to employees, directors and supervisors in accordance with the following ratio. Employee remuneration in the percentage of 6% to 10%. Individuals eligible for employee remuneration include the Company's employees and the employees of the Company's subsidiaries meeting certain requirements. Such requirements are to be set by the Board of Directors. Remuneration to be distributed to directors and supervisors shall not exceed 1%. The decision of the percentage of remuneration to be distributed to employees, directors and supervisors set forth in the preceding Paragraph, the forms of distribution (cash or stock dividends) and the amounts and shares thereof shall be made through the special resolutions of the Board of Directors and reported to the shareholders' meeting.</p> <p>(The Company established an Audit Committee to replace supervisors on June 15, 2018)</p>		<p>Carried out in accordance with the "Company's Remuneration Management Regulations", "Performance Review Regulation", "Employee Bonus Evaluation and Distribution Rules".</p>	
2. Criteria and composition of remuneration	<p>The directors' remunerations are distributed based on the number of directors, and taking into account each director's performance, contribution to the Company, and the self (or peer) evaluation of the Board of that year.</p>		<p>Includes base salary, Duty allowance and performance bonuses, bonus, and employee compensations</p>	
3. Procedures to fix remuneration	<p>Resolved by the board meeting, and approved by the general meeting of shareholders.</p>		<p>Based on their educational and professional backgrounds.</p>	
4. Interrelationship with MSI business	<p>The evaluation criteria of directors' remunerations include the Company's financial performance (such as revenue, contribution to the profits) and non-financial performance (such as corporate governance, regulatory compliance)</p>		<p>The evaluation criteria of managers' remunerations are achievement rate of performance, contribution to the profits, and operation managerial ability.</p>	

- (2) Except for the Company, all the other companies included in the Consolidated Statement did not pay remunerations for the directors, supervisors, president, and vice presidents of the Company.

(IV) Corporate governance

1. Board of Directors

The Board had 9 (A) meetings in 2022 and up to date till the Annual Report printed:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Hsu,Hsiang	9	0	100.00%	
Vice Chairman	Huang,Chin-Ching	9	0	100.00%	
Director	Lin,Wen-Tung	9	0	100.00%	
Director	Yu, Hsien-Neng	9	0	100.00%	
Director	Kuo,Hsu-Kuang	9	0	100.00%	
Director	Liao,Chun-Keng	8	1	88.89%	
Director	Hung,Yu-Sheng	8	1	88.89%	
Director	Chen,Te-Ling	9	0	100.00%	
Independent Director	Hsu,Jun-Shyan	9	0	100.00%	
Independent Director	Liu,Cheng-Yi	9	0	100.00%	
Independent Director	Hsu,Kao-Shan	9	0	100.00%	

Note:Independent directors attended in person in 2022 and up to date till the Annual Report printed (with an attendance rate of 100%).

Other matters that require to be recorded:

- Should any of the following take place in a board meeting, the date and number of the meeting, the content of the proposal, opinions of all Independent Directors and the Company's response to such opinions shall be recorded:
 - For details of the date and number of the board meeting, the content of the proposal, opinions of all Independent Directors and the Company's response to such opinions, please see pages 47 ~49.
 - Items specified in Article 14-3 of the Securities and Exchange Act: No dissenting or qualified opinion.
 - Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.
- For execution status of Directors' recusals from the resolutions due to conflicts of interests, the names of the Directors, content of the proposals and reasons for recusals as well as the participation in voting shall be recorded:
 - Date:2022/1/21,2022/3/21,2022/8/11,2022/10/6,2023/1/13,2023/3/14
Name of the Director: Hsu,Hsiang. Huang,Chin-Ching. Yu,Hsien-Neng.. Lin,Wen-Tung. Kuo,Hsu-Kuang. Liao,Chun-Keng. Hung,Yu-Sheng. Chen,Te-Ling
Agenda item: Proposal of the Remuneration committee.
Reason for recusal and participation in voting: The Board of Directors reminded the Directors to pay attention to recusal due to conflict of interests and did not provide each Director's own remuneration details.
Directors Hsu,Hsiang. Huang,Chin-Ching. Yu,Hsien-Neng. Lin,Wen-Tung. Kuo,Hsu-Kuang. Liao,Chun-Keng. Hung,Yu-Sheng. Chen,Te-Ling recused themselves from discussing and voting on the part of the proposal involving their own remuneration.

3. Board of Director Self (Peer) Evaluation Cycle and Period, Scope, Method, and Topic are as below:

Implementation of Board of Director Evaluation

Cycle	Period	Scope	Method
Once per year	January 1, 2022 to December 31, 2022	Board of Directors, individual director and functional committees	Internal self-evaluation questionnaire for the Board (Audit Committee and Remuneration Committee) and each director

Topic

- The performance evaluation of the Board of Directors, directors, functional committees of 2022 was completed on January 13, 2023. The evaluation topics of each scope include the following:
- Board of Directors performance evaluation: The performance evaluation of the Board of Directors includes the level of participation in the company's operation, decision quality of the Board of Directors, body and structure of the Board of Directors, selection of directors and continuing study, internal control.
 - Individual director performance evaluation: The performance evaluation of individual directors includes the knowledge of the company's objectives and tasks, understanding of the responsibilities of directors, level of participation in the company's operation, internal relationship cultivation and communication, continuing study of the director's profession, internal control.
 - Functional committee's performance evaluation: Including the level of participation in the company's operation, understanding of the responsibilities of the functional committee, decision quality of the functional committee, body of the functional committee and selection of members, internal control.
 - The evaluation of 2022 is completed on January 13, 2023, and reported to the Board of Directors. In addition to the filing on the Market Observation Post System <http://mops.twse.com.tw>, and on the Company's website <http://tw.msi.com>, the results will be used as references for each director's remuneration and nomination of reelection.

4. The goals of the year and the most recent year on the strengthening of the board of directors' functions :

- Voluntarily to establish Independent directors in 2012.
- To accommodate electronic voting during shareholders' meetings, the Articles of Incorporation were revised on June 17, 2014, and the nomination system is adopted for the election of Board members.
- Since 2014, the Company's shareholders' meetings have adopted voting by poll, and the result of shareholders' votes for and against and the number of abstentions of each proposal are recorded in the minutes.
- In compliance with the competent authority's promotion of corporate governance, a position adjustment was carried out on January 1, 2019, and the Chairman and President positions are not held by the same person.
- In compliance with the competent authority's promotion of corporate governance, it is expected that a full re-election will be carried out upon the expiration of the term of office of Directors, adding one female Director.
- The average attendance rate of all Directors actually attending the Board meetings of the current Board of Directors (July 16, 2021 ~ as of the publication date of this Annual Report):100%.

The Board meeting attendance rate from all board members during 2022 as of the printing date of the annual report: 97.98%.

2. Audit Committee or Attendance of Supervisors at Board Meetings:

(1) Attendance of Supervisors at Board Meetings: The Company established an Audit Committee to replace supervisors on June 15, 2018 and the supervisors are relieved of the position starting on that day.

(2) Operation of the Audit Committee:

7 meetings (A) held by Audit Committee in 2022 and up to date till the Annual Report printed, the attendance of the independent directors is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Hsu,Jun-Shyan	7	100%	
Independent director	Hsu,Kao-Shan	7	100%	
Independent director	Liu,Cheng-Yi	7	100%	

Other items that shall be recorded:

1. If any of the following applies to the operations of the Audit Committee, the meeting date of the Audit committee and session of the Board of Directors' Meeting, as well as the resolutions, resolutions of the Audit Committee, Objections, reserved opinions, or critical advices of independent directors and the corporation's actions in response to the opinions of the Audit Committee should be stated.

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

(2) Except the items in the preceding issues, other resolutions approved by two-thirds of all directors but yet to be approved by the Audit Committee: None.

2. Execution process where the independent director abstain from begin a stakeholder, the name of the director, the content of proposal, the reason of abstinence and the results of the voting should be stated: None

Audit Committee Meeting Date	Agenda	Audit Committee Resolution Results	Objections, reserved opinions, or critical advices of independent directors			Corporation's responses to the comments of the Audit Committee	Execution process where the independent director abstain from begin a stakeholder	
			Hsu, Jun-Shyan	Hsu, Kao-Shan	Liu, Cheng-Yi		The reason of abstinence	The results of the voting should be stated
2022.1.21 (2022/1)	(1) Subsidiary engaged in derivatives transactions.	Proposal approved	None	None	None	None	None	None
2022.03.21 (2022/2)	(1) 2021 Financial Statement of this Company. (2) The Statement on Internal Control System of 2021 of this Company. (3) Approved amendments to "Internal Control System", "Implementation Rules for Internal Auditing" (4) Amendment to the "Operational Procedures for Acquisition or Disposal of Assets"	Proposal approved	None	None	None	None	None	None
2022.05.06 (2022/3)	(1) Financial Report of first quarter, 2022	Proposal approved	None	None	None	None	None	None
2022.08.11 (2022/4)	(1) Financial Report of second quarter, 2022 (2) Evaluated the independence of CPA engagement.	Proposal approved	None	None	None	None	None	None
2022.11.11 (2022/5)	(1) Financial Report of third quarter, 2022 (2) Evaluated the independence of CPA engagement.	Proposal approved	None	None	None	None	None	None
2023.03.14 (2023/1)	(1) 2022 Financial Statement of this Company. (2) The Statement on Internal Control System of 2022 of this Company. (3) Evaluation of external auditor's independence and qualification	Proposal approved	None	None	None	None	None	None
2023.5.11 (2023/2)	(1) Approved the Financial Statement. First Quarter 2023	Proposal approved	None	None	None	None	None	None

3. Communication between directors and head of internal audit and CPA (including material issues, audit methods and results relating to the corporation's finances and business).

(1) The internal audit supervisor submits an audit summary report to the Audit Committee on a monthly basis in accordance with the annual audit plan.

(2) The Company convenes an audit committee, and invites the accounting and auditing supervisors attend and invites relevant supervisors as needed.

(3) The independent directors and the internal audit office, and the CPA have the direct channel to communicate with each other, by phone, written correspondence, or face-to-face meeting. The communication is smooth.

(4) The independent directors shall call the communication meeting at least once per year with the CPA, and at least once per quarter with the internal audit office. For the communication details, please refer to the Company's website: <https://tw.msi.com/about/company/>

3. Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N		
1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles has been disclosed on the Company’s website.	None
2. Shareholding Structure & Shareholders’ Rights (1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	V		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.	None
(2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		The Stock affairs office is responsible, ask Taiwan Depository and Clearing Corps to provide the list of major shareholders every quarter, for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	None
(3) If risk management mechanism and “firewall” between the Company and its affiliates are in place?	V		「 Group business management regulations 」 are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.	None
(4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations, and hold promotion and lectures from time to time and has been disclosed on the Company’s website. https://tw.msi.com/about/corporateGovernance	None

<p>3. Structure of Board of Directors and its responsibility (1) Does the Board develop the diversity policy, substantive management goals, and implement the same?</p>	V	<p>The Company has the “Corporate Governance Principles” in place and diversified policies are established with regard to the composition of members of the Board of Directors. The directors (including independent directors) are nominated. The Board of Directors members are nominated according to law by shareholders and naturally elected during a shareholders’ meeting.</p> <p>Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The members of board of directors possess a diverse range of expertise in the fields of Operational Decision Making, Operations Management, Crisis Management, Industry Knowledge, International Market Outlook, Leadership Decision Making, Finance & Accounting and law, can adequately fulfill the Company’s future development needs.</p> <table border="1" data-bbox="1070 421 2031 900"> <thead> <tr> <th>Name</th> <th>Gender</th> <th>Age range</th> <th>Operational Decision Making</th> <th>Operation Management</th> <th>Crisis Management</th> <th>Industry Knowledge</th> <th>International Market Outlook</th> <th>Leadership Decision Making</th> <th>Finance & Accounting</th> <th>law</th> </tr> </thead> <tbody> <tr> <td>Hsu, Hsiang</td> <td>Male</td> <td>61~70</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Huang, Chin-Ching</td> <td>Male</td> <td>61~70</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Lin, Wen-Tung</td> <td>Male</td> <td>61~70</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Yu, Hsien-Neng</td> <td>Male</td> <td>61~70</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Kuo, Hsu-Kuang</td> <td>Male</td> <td>51~60</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Liao, Chun-Keng</td> <td>Male</td> <td>51~60</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Hung, Yu-Sheng</td> <td>Male</td> <td>51~60</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Chen, Te-Ling</td> <td>Female</td> <td>41~50</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Hsu, Jun-Shyan</td> <td>Male</td> <td>51~60</td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Liu, Cheng-Yi</td> <td>Male</td> <td>61~70</td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Hsu, Kao-Shan</td> <td>Male</td> <td>61~70</td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td></td> <td></td> <td>√</td> </tr> </tbody> </table> <p>The Company’s Board members are specialists of technology industry, sales, commerce, finance and accounting, and law. The policy of diversity is complied with the company regulations. There are 10 (91%) male members and 1(9%) female members on the Board 8 (73%) of them are employees and 3 (27%) are non-employees. The directors are between 47 and 66 years old and average age is 59. The reelection of directors of the current term of office (2021/7/16–2024/7/15) is completed. The goals of adding one female director and lowering the age of directors are achieved. The future goal is to introduce courses of diversity learning to help the directors establish cross-field professional knowledge.</p>	Name	Gender	Age range	Operational Decision Making	Operation Management	Crisis Management	Industry Knowledge	International Market Outlook	Leadership Decision Making	Finance & Accounting	law	Hsu, Hsiang	Male	61~70	√	√	√	√	√	√	√	√	Huang, Chin-Ching	Male	61~70	√	√	√	√	√	√			Lin, Wen-Tung	Male	61~70	√	√	√	√	√	√			Yu, Hsien-Neng	Male	61~70	√	√	√	√	√	√			Kuo, Hsu-Kuang	Male	51~60	√	√	√	√	√	√			Liao, Chun-Keng	Male	51~60	√	√	√	√	√	√			Hung, Yu-Sheng	Male	51~60	√	√	√	√	√	√			Chen, Te-Ling	Female	41~50	√	√	√	√	√	√			Hsu, Jun-Shyan	Male	51~60		√		√	√		√		Liu, Cheng-Yi	Male	61~70		√		√	√		√		Hsu, Kao-Shan	Male	61~70		√		√	√			√	None
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<p>(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?</p>	V	<p>In order for the sound supervision and reinforcement of management, the Company established the Remuneration Committee and Audit Committee. The functional committees shall be responsibilities for the Board of Directors.</p>	<p>The company has not yet established other functional committee. Scheduled to gradually establish according to the laws and regulations as well as the practical requirement of the company.</p>																																																																																																																																				

<p>(3) Does the company specify the process and method of the performance evaluation of the Board of Directors, conduct the annual evaluation, and report the evaluation results to the Board of Directors and use such for considering the remuneration and re-appointment of each director?</p>	V	<p>According to the Company's policy of Board performance evaluation, the self-evaluation shall be conducted at least once a year.</p> <table border="1" data-bbox="1070 193 2011 659"> <tr> <th data-bbox="1070 193 1234 225">Evaluation recipients</th> <th data-bbox="1234 193 1496 225">The Board</th> <th data-bbox="1496 193 1765 225">Individual board member</th> <th colspan="2" data-bbox="1765 193 2011 225">Functional committee</th> </tr> <tr> <td data-bbox="1070 225 1234 403">Evaluation scope</td> <td data-bbox="1234 225 1496 403">Including but not limited to the level of participation in the Company's operation, increase of quality of the Board's decisions, composition and structure of the Board, election of the directors, and continuing education, a total of 45 items</td> <td data-bbox="1496 225 1765 403">Including but not limited to the understanding of the Company's goals and missions, the understanding of a director's duties, the level of participation in the Company's operation, internal relationship cultivation and communication, the director's professionalism and continuing education, internal control</td> <td colspan="2" data-bbox="1765 225 2011 403">Including but not limited to the level of participation in the Company's operation, the understanding of the functional committee's duties, the quality of the functional committee's decisions, the composition of the functional committee and the election of members, internal control</td> </tr> <tr> <td data-bbox="1070 403 1234 464">Evaluation items</td> <td data-bbox="1234 403 1496 464">45 items</td> <td data-bbox="1496 403 1765 464">23 items</td> <td data-bbox="1765 403 1895 464">Audit Committee 22 items</td> <td data-bbox="1895 403 2011 464">Remuneration Committee 19 items</td> </tr> <tr> <td data-bbox="1070 464 1234 496">Number of evaluators</td> <td data-bbox="1234 464 1496 496">11 people</td> <td data-bbox="1496 464 1765 496">11 people</td> <td data-bbox="1765 464 1895 496">3 people</td> <td data-bbox="1895 464 2011 496">3 people</td> </tr> <tr> <td data-bbox="1070 496 1234 576">Evaluation method</td> <td data-bbox="1234 496 1496 576">Collect the answers from each director's self-evaluation for the Chairman, who will evaluate their performance</td> <td data-bbox="1496 496 1765 576">The directors will receive the questionnaire for self-evaluation</td> <td colspan="2" data-bbox="1765 496 2011 576">The commissioners will receive the questionnaire for self-evaluation</td> </tr> <tr> <td data-bbox="1070 576 1234 659">Evaluation results</td> <td colspan="4" data-bbox="1234 576 2011 659">The evaluation of 2022 are completed on January 13, 2023, and reported to the Board of Directors. In addition to the filing on the Market Observation Post System http://mops.twse.com.tw, and on the Company's website http://tw.msi.com, the results will be used as references for each director's remuneration and nomination of reelection.</td> </tr> </table>	Evaluation recipients	The Board	Individual board member	Functional committee		Evaluation scope	Including but not limited to the level of participation in the Company's operation, increase of quality of the Board's decisions, composition and structure of the Board, election of the directors, and continuing education, a total of 45 items	Including but not limited to the understanding of the Company's goals and missions, the understanding of a director's duties, the level of participation in the Company's operation, internal relationship cultivation and communication, the director's professionalism and continuing education, internal control	Including but not limited to the level of participation in the Company's operation, the understanding of the functional committee's duties, the quality of the functional committee's decisions, the composition of the functional committee and the election of members, internal control		Evaluation items	45 items	23 items	Audit Committee 22 items	Remuneration Committee 19 items	Number of evaluators	11 people	11 people	3 people	3 people	Evaluation method	Collect the answers from each director's self-evaluation for the Chairman, who will evaluate their performance	The directors will receive the questionnaire for self-evaluation	The commissioners will receive the questionnaire for self-evaluation		Evaluation results	The evaluation of 2022 are completed on January 13, 2023, and reported to the Board of Directors. In addition to the filing on the Market Observation Post System http://mops.twse.com.tw , and on the Company's website http://tw.msi.com , the results will be used as references for each director's remuneration and nomination of reelection.				None
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<p>(4) If the Company assess the independence of CPA periodically?</p>	V	<p>The Audit Committee and the board members convene one meeting or more each year, using Audit Quality Indicators "AQIs," including "firm level" and "audit case level," separated into five aspects (professionalism, quality control, independency, supervision, and innovation capabilities) and 13 indicators (audit experience, training hours, turnover rate, professional support, accountant loading, review dedication, case quality control, verification, quality control support, non-audit service fee, client familiarity, flaw of external check and discipline, improvement letters from the authority, and innovation planning or suggestions) to assess the independency and qualifications of the external auditor. The latest assessment was approved by the Audit Committee on March 14, 2023, and later reported to the Board on the same day. The assessment found there was no violation of independence or qualification of the external auditors or other related personnel based on AOIs. The Company and the external auditors are not related in any aspects to violate their independence as listed in the independence declaration below.</p> <table border="1" data-bbox="1084 948 2033 1251"> <thead> <tr> <th data-bbox="1084 948 1809 979">Assessment</th> <th data-bbox="1809 948 1921 979">assessment result(Y/N)</th> <th data-bbox="1921 948 2033 979">Independence (Y/N)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1084 979 1809 1040">The designated accountant does not have direct or indirect financial interest relationship with the Company.</td> <td data-bbox="1809 979 1921 1040">N</td> <td data-bbox="1921 979 2033 1040">Y</td> </tr> <tr> <td data-bbox="1084 1040 1809 1085">The designated accountant does not have a financing or guarantee relationship with the Company or any director of the Company.</td> <td data-bbox="1809 1040 1921 1085">N</td> <td data-bbox="1921 1040 2033 1085">Y</td> </tr> <tr> <td data-bbox="1084 1085 1809 1129">The designated accountant does not have close business relationship or potential employment relationship with the Company.</td> <td data-bbox="1809 1085 1921 1129">N</td> <td data-bbox="1921 1085 2033 1129">Y</td> </tr> <tr> <td data-bbox="1084 1129 1809 1174">The designated accountant does/did not currently/ in the recent two years serve as a director, supervisor, or manager of the Company or play a role having significant influence on the audit case.</td> <td data-bbox="1809 1129 1921 1174">N</td> <td data-bbox="1921 1129 2033 1174">Y</td> </tr> <tr> <td data-bbox="1084 1174 1809 1219">The designated accountant does not promote or act as an intermediate for the shares or other securities issued by the Company.</td> <td data-bbox="1809 1174 1921 1219">N</td> <td data-bbox="1921 1174 2033 1219">Y</td> </tr> <tr> <td data-bbox="1084 1219 1809 1251">The designated accountant does not serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party.</td> <td data-bbox="1809 1219 1921 1251">N</td> <td data-bbox="1921 1219 2033 1251">Y</td> </tr> </tbody> </table> <p>The designated accountant does not have a family relationship with the company's directors, managers or persons who have significant influence on the audit case.</p>	Assessment	assessment result(Y/N)	Independence (Y/N)	The designated accountant does not have direct or indirect financial interest relationship with the Company.	N	Y	The designated accountant does not have a financing or guarantee relationship with the Company or any director of the Company.	N	Y	The designated accountant does not have close business relationship or potential employment relationship with the Company.	N	Y	The designated accountant does/did not currently/ in the recent two years serve as a director, supervisor, or manager of the Company or play a role having significant influence on the audit case.	N	Y	The designated accountant does not promote or act as an intermediate for the shares or other securities issued by the Company.	N	Y	The designated accountant does not serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party.	N	Y	None									
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<p>4. Does the public (OTC) company appoint the adequate number of competent corporate governance staff, and a corporate governance manager to be responsible for handling corporate governance scheme (including but not limited to providing information to the directors and supervisors necessary to perform their duties, assisting the directors and supervisors in legal compliance, processing the Board meetings and shareholders meetings according to the laws, processing company registration and registration of changes, and producing minutes of the Board meetings and shareholders meetings)?</p>	<p>V</p>	<p>The Financial Department of the Company is set up with dedicated corporate governance personnel who have more than 3 years of experience in the managerial work such as corporate finance, stock affairs and meeting proceedings with the scope of duties as follows: providing the information required by the directors to conduct business, propagating the regulations related to the operation, assisting the directors with compliance with laws and regulations, arranging for directors for further study, handling matters related to the board of directors and shareholders' meeting, changing registration and corporate governance, etc. The board of directors pass the resolution on March 21, 2019 to have these personnel supervised by a corporate governance supervisor who is qualified as a manager and reports the implementation to the board of directors at least once a year. Business execution in the most recent year is as follows: (1) Corporate governance and securities-related acts promotion (2) Assistance with the convening of Board of Directors and Shareholders Meetings (3) Preparation of the Board's agenda, provision of meeting materials and delivery of notices, reminding of avoidance of conflict of interests, production and mailing of the proceedings (4) Publication of the Company's major news (5) Arrangement of the annual training of the directors (6) Registration of the shareholders' meeting, and production of the meetings notice, the annual report, the handbooks within the statutory time limit (7) Change registration with the Ministry of Economic Affairs after amendment of the by-laws or re-election of directors.(8)The educational programs provided for the first-time corporate governance staff were completed as required. Please see page 29.</p>	<p>None</p>
<p>5. If the Company established communication channel with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website?</p>	<p>V</p>	<p>The Company's website has a "Stakeholder Section" under Corporate Social Responsibility, which provides information including investors/shareholders, customers/consumers, suppliers/contractors, employees, government agencies and the media to the stakeholders who are responsible for verification. The information is compiled through public information observatories, the Company's website, financial reports, corporate social responsibility reports and online questionnaires to confirm the issues concerned by the stakeholders on MSI and degree and importance of the concerns, and prioritize or incorporate the issues of concern into the Company's annual goals. In addition, the company's website discloses the information of the "Stakeholders' Complaints Channel" and provides the information to the responsible units through the contact window as the communication channel for the stakeholders and the Company responds to the important issues of concern to stakeholders by meetings, phone calls and emails to protect the rights and interests of all stakeholders. Relevant chapters on stakeholder concerns, communication methods and frequency, and information on topics of concern are disclosed at http://tw.msi.com/Corporate Governance/Corporate Social Responsibility/Corporate Social Responsibility Report. The information is reported to the Board of Directors at least once a year. In addition, the "Stakeholders" section provides the contact windows for each stakeholder, the "stakeholder complaint submission" is disclosed on the company's website. Stakeholders may contact through meeting, phone, or e-mail. The critical issues which the stakeholders are concerned about will be answered properly to maintain the interests of each stakeholder. The critical issues which the stakeholders are concerned about, communication method and frequency, and concerned issues are disclosed on http://tw.msi.com/corporate governance/CSR/CSR report. The Board of Directors receives the report at least once per year. The 2022 report has been presented to the Board on November 11, 2022.</p>	<p>None</p>
<p>6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?</p>	<p>V</p>	<p>The Company has delegated the share administrations agency of Chinatrust Commercial Bank to handle shareholder meetings and related services.</p>	<p>None</p>
<p>7. Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?</p>	<p>V</p>	<p>The Company has a section on its website to disclose related information of its finance, operation, and corporate governance. Investors may also obtain information about the Company through the Market Observation Post System http://mops.twse.com.tw.</p>	<p>None</p>
<p>(2) If the Company adopted any other information disclosure channels (e.g.,</p>	<p>V</p>	<p>The Company has websites in 20 languages, including Chinese and English, such as http://tw.msi.com/(Chinese)</p>	<p>None</p>

maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)?		and http://www.msi.com/about/investor (English) and dedicated employees to take charge of the Company's information collection and disclosure. The spokesperson system is established and implemented.	
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(3) Does the company publish and file the annual financial report within two months after the end of the fiscal year, and make early publication and filing of the financial reports of the first, second, and third quarters, as well as the monthly operation reports?	V	The company publishes and files the annual financial report, and financial reports of the first, second, and third quarters, as well as the monthly operation reports, within the statutory period.	Early publication/filing is subject to evaluation based on actual need.
8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? (1) Employee rights	V	<ol style="list-style-type: none"> 1. Employees' remuneration policy is regulated the distribution ratio in the Company's Articles of Incorporation and is handled according to the "Remuneration Guidelines", "the Employee Performance Regulations", and "the Employee Remuneration Distribution and Stock Option Regulations". Operation profits are shared with employees according to the fulfillment rate of business target, performance, and contribution. 2. The Company has an Employee Welfare Committee with steady funds coming from the Company holding events and providing benefit programs for employees. 3. Besides having employees covered by Labor Insurance and National Health Insurance as required by law so that they can be assured safety while at work, the Company also offers the group insurance for extra protection to employees and their family. 	None
(2) Employee care employee wellness	V	<ol style="list-style-type: none"> 1. The Company was certified by OHSAS18001 (Occupation Health and Safety Assessment Series Certification) in December 2003 and received the "health promotion symbol for spontaneous healthy workplace certification". (ISO 45001:2018 renewed in 2018) 2. Besides periodical employee health examinations, the Company has a employee clinic, nursing room, various health-related tests, workshops, and training from time to time, there are also diversified society events and employees are provided with related consultation services and help solutions on issues such as career, workplace inter-person relationship, emotions at work, work management, physical and mental stress, communications between husband and wife, child care and education, gender relations, laws in life, wealth management, and tax reduction so that the health of employees in all aspects, physical, mental, and spiritual, is taken well care of. 	None
(3) Investor relations	V	The Company discloses information from time to time through the Market Observation Post System and the Company's website, and has the "Investor Relations Contact Window" available for the shareholders to contact by phone or through email in order to maintain the investor relationship.	No Deviation
(4) Supplier Relations	V	<ol style="list-style-type: none"> 1. In order to protect the rights of suppliers, as long as not against regulatory requirements and damage to our shareholders' rights, financial information required by the suppliers for the Company's creditline evaluation will be provided. 2. In order to accomplish sustainable management for the Company and for all suppliers, suppliers continue to be asked to promise compliance with regulations concerning health and safety, the environment, labor, and ethics as well as guidelines for the management system and risk control and suppliers will receive Self-assessment survey, educational training and periodic audits, among other related auxiliary measures, to help them keep enforcing and improving the said regulations and guidelines. 	None
(5) Stakeholder rights	V	<ol style="list-style-type: none"> 1. The Company discloses on its website information on corporate governance, finance, sustainability, and products and also related information on the Market Observation Post System for the stakeholders' reference. 2. The Company has a section "Contact MSI" on website. If stakeholders have issues about economy, environment, and society, they can communicate the issues with the Company through the said channel; this helps protect the rights of respective stakeholders. 	None
(6) Further education status of directors and supervisors	V	The Company's directors and high-ranking managers receive continuing education as required by "the Directions for the Implementation of Continuing Education for Directors and Supervisors" of TWSE Listed and TPEX Listed Companies on a yearly basis. The continuing education programs are listed below.	None

(7) Risk management policy and risk measurement measures	V	The Company's policy towards risk management is to set various rules and regulations in order to weigh and evaluate possible impacts of the various risk matters on the profits and losses of the Company and to stipulate respective response policies accordingly. For the analysis and evaluation of risk matters, other important risks and response measures, please refer to Page96~104 and Webside.	None
(8) Implementation of customer policy	V	Regulations to be followed are established in the Company's internal control system to ensure fulfillment of customer service and product protection and the responsible unit is available for real-time communication during transaction with customers in order to ensure that customers' rights are protected.	None
(9) Purchase of liability insurance for directors and supervisors	V	Directors are covered by the Company's D&O insurance. (And disclosed in the Market Observation Post System http://mops.twse.com.tw)	None
<p>9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved.</p> <p>Reasons for failure to get scores during corporate governance rating:</p> <p>(1) To improve information disclosure of the English version materials, the English version meeting notice and meeting handbook were produced for the 2018 shareholders meeting and English version meeting notice, meeting handbook and annual report were produced in the 2018 shareholders meeting, both of which were required to be uploaded within a specified period.</p> <p>(2)The Company set up the Audit Committees to replace the responsibilities of the supervisors.</p> <p>(3)To follow the instructions of the competent authority in conducting to promote corporate governance, the Company implements position adjustment on January 1, 2019, with Mr. Hsu, Hsiang as Chairman of the Company, Mr. Chiang, Sheng-Chang as the Company's President and CEO, (Mr. Chiang, Sheng-Chang was dismissed since his death on July 7, 2020). On July 8, 2020, the Board of Directors appointed one of the founders, Mr. Huang, Chin-Ching, as the President, fulfilling the goal that the Chairman and President positions not being held by the same person.</p> <p>(4) In compliance with the competent authority's promotion of corporate governance, it is expected that a full re-election will be carried out upon the expiration of the term of office of Directors, adding one female Director.</p> <p>(5)According to the authorization table set for related party transaction approval, all subsidiary transactions shall be administered in compliance with "Group Company Operation Rules and Regulations," "Operational rocedures for the Acquisition and Disposal of Assets," "Operational Procedures for Loans to Others," and "Operational Procedures for Endorsements/Guarantees." No dealing shall be made with related parties that are not a subsidiary company.</p>			

Continuing Education/Training of Directors 、 Supervisors and Managements

Year	Training Course	Host by	Duration	Attendees
2003	Corporate Governance	Fu Jen Catholic University	3 hours	All Directors 、 Supervisors and Managements
2004	Corporate Governance and Risk Management	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2005	Use financial statements to analyze and improve business performance	Securities & Futures Institute	3 hours	Directors 、 Supervisors and Managements
2006	Directors, Supervisors and Senior Managers' Responsibilities for Financial Reporting	Securities & Futures Institute	3 hours	All Directors 、 Supervisors and Managements
2007	Audit Strategy of Corporate Governance and Enterprise Tax Planning	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2008	Business Transformation and Change Management	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2009	Brand Management and Innovation	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2010	Corporate Governance under International Taxation	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2011	Financial statements and analysis of trends in the industry	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2012	Disputes and Risks Caused by Taiwan Enterprises' Investment in China	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2013	Financial thinking of business transformation	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2014	New Trend of Internal Control Practice - Corporate Social Responsibility and Risk Management	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Supervisors and Managements
2015	Comprehensively improve adaptability - Enterprise crisis management	The Taiwan Corporate Governance Association	6 hours	All Directors 、 Hsu,Fen-Lan 、 Hsu,Gau-Shan and Managements
2015	In 2015, the latest tax update issued the latest information analysis	Taiwan CPA Association, ROC	6 hours	Hsu,Jun-Shyan (National Association of Certified Public Accountants lecturer)
2016	The reform and sustainable management of the board of directors; the key strategies and practices of breakthroughs in business innovation	The Taiwan Corporate Governance Association	6 hours	All Directors 、 Supervisors and Managements
2017	Big Data Analysis and Corporate Fraud Detection	The Taiwan Corporate Governance Association	3 hours	All Directors(except Tsai,Rong-Fong) 、 Supervisors and Managements
2017	Reconstruction of IT Security Strategy from Cyber Crime View	The Taiwan Corporate Governance Association	3 hours	All Directors(except Tsai,Rong-Fong) 、 Supervisors and Managements
2017	Corporate Governance Forum series-sustainable operation	Taiwan academy of Banking and Finance	3 hours	Tsai,Rong-Fong
2017	2017 Insider Trading and Corporate Social Responsibility Forum	Securities & Futures Institute	3 hours	Tsai,Rong-Fong
2018	The introduction for the latest income tax or value-added tax reforms in China and the United States and the trend and impact of global anti-tax avoidance regulations.	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Managements and Corporate overnance Officer
2018	Global Economic Outlook	The Taiwan Corporate Governance Association	3 hours	All Directors 、 Managements and Corporate overnance

		Association		Officer
2018	The 12 th Taipei Corporate Governance Forum	Financial Supervisory Commission	6 hours	Liao,Chun-Keng
2018	The 12 th Taipei Corporate Governance Forum	Financial Supervisory Commission	3 hours	Hung,Yu-Sheng
2018	2018 Forbid Insider Trading Promotion Meeting	Taiwan Stock Exchange Corporation	3 hours	Hung,Yu-Sheng 、Kuo,Hsu-Kuang
2018	Discussion on fraud cases of corporate financial statements	Securities & Futures Institute	3 hours	Kuo,Hsu-Kuang
2019	How could directors and supervisors supervising t the business risk and crisis management of the Company?	Taiwan Corporate Governance Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2019	Impact from the U.S.-China Trade War to the industry in Taiwan and the reaction planning	Taiwan Corporate Governance Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2019	2019 Corporate Governance Practices Seminar	Corporate Governance Professionals Association	3 hours	Corporate Governance Officer
2019	Corporate Governance and Business Operational Sustainability Course	Taiwan academy of Banking and Finance	3 hours	Corporate Governance Officer
2019	Task Force on Climate-related Financial Disclosures (TCFD) Forum (educational program for corporate governance)	Taiwan Stock Exchange Corporation	3 hours	Corporate Governance Officer
2020	Case analysis of the Company Act	Taiwan Corporate Governance Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2020	Disconnected ICT Supply Chains: New Power Plays Unfolding	Taiwan Corporate Governance Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2020	2020 Seminar on Legal System for Beneficial Owners	Corporate Governance Professionals Association	3 hours	Corporate Governance Officer
2020	2020 Annual Session on the Promotion of Insider Trading and Insider Equity Trading Prevention	Securities & Futures Institute	3 hours	Corporate Governance Officer
2021	IC Manufacture & Package Technology and Applications	Corporate Governance Professionals Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2021	5G Communication Technology and Applications	Corporate Governance Professionals Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2021	The 13 th Taipei Corporate Governance Forum	Financial Supervisory Commission	3 hours	Chen,Te-Ling and Corporate Governance Officer
2021	2021 Annual Session on the Promotion of Insider Trading and Insider Equity Trading Prevention	Taiwan Stock Exchange Corporation	3 hours	Chen,Te-Ling
2021	2021 Forbid Insider Trading Promotion Meeting	Taiwan Stock Exchange Corporation	3 hours	Corporate Governance Officer
2022	Virtual World: The Metaverse and the Future of Cryptocurrency with Blockchains	Corporate Governance Professionals Association	3 hours	All Directors 、Managements and Corporate Governance Officer
2022	Autonomous Electrical Vehicle Technology and Applications	Corporate Governance Professionals Association	3 hours	All Directors(except Hsu,Jun-Shyan) 、Managements and Corporate Governance Officer
2022	SUSTAINABLE DEVELOPMENT ROADMAP -Sustainable Pathways for Industries	Taiwan Stock Exchange Corporation	2 hours	Corporate Governance Officer
2022	2022 Disclosure of reference guide for Independent Director & Audit Committee and Director & Supervisor Advocacy Meeting.	Taiwan Stock Exchange Corporation	3 hours	Corporate Governance Officer
2022	2022 Annual Session on the Promotion of Insider Trading and Insider Equity Trading Prevention	Securities & Futures Institute	3 hours	Corporate Governance Officer
2022	2022 1H latest taxation laws and case analysis (8/29, 9/6, 12/1 and 12/30 for 28 hours)	Taiwan CPA Association, ROC	3 hours	Hsu,Jun-Shyan (National Association of Certified Public Accountants lecturer)

4.If the Company has set up the remuneration committee or nomination committee, the structure, responsibility, and operation of such committee(s):

(1)Established of Remuneration Committee : The Borad of directors of the company set up the Remuneration Committee on December 18, 2011.

A.Remuneration Committee members information :

2023.04.17

Criteria		Professional Qualifications and Experiences	Independence	Also an independent director of other public company
Title	Name			
Independent Director	Commissioner of Remuneration Committee	Hsu,Kao-Shan	Refer to page 11	0
Independent Director	Commissioner of Remuneration Committee	Liu,Cheng-Yi	Refer to page 11	0

Independent Director	Chief coordinator of Remuneration Committee	Hsu,Jun-Shyan	Refer to page 11	<p>6. Not a director, supervisor, or employee of a company controlled by the same person holding the majority of the Board or the voting shares of the company and the other company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).</p> <p>7. Not a director (governor), supervisor, or employee of a company or institution whose chairman, president, or a person holding an equivalent position is the same person or the spouse of the chairman, president, or a person holding an equivalent position at the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).</p> <p>8. Not a director (governor), supervisor, manager, or shareholder with more than 5% shareholding of a specific company or institution having financial or business relationship with the company (except for independent directors appointed in accordance with the Act or the local laws by, and concurrently serving as such at, the company, its parent company, subsidiaries, or a subsidiary under the same parent company).</p> <p>9. Not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or their spouses, who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider has received cumulative compensation exceeding NT\$500,000 in the past 2 years; provided however that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act.</p>	<p>Companies.</p> <p>3. No members of the Remuneration Committee, their spouses, or relatives within two degrees have provided commercial, legal, financial, or accounting services to the Company or its affiliates within the last two years, and did not receive any remuneration.</p>	0
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B. Attendance of Members at Remuneration Committee Meetings

- ① There are 3 members in the Remuneration Committee.
 ② Tenure of the current of Remuneration committee is from July 16, 2021 to July15, 2024. A total of 6 (A) meetings in 2022 and up to date till the Annual Report printed, The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) B/A	Remarks
Convener	Hsu,Kao-Shan	6	0	100%	
Member	Hsu,Jun-Shyan	6	0	100%	
Member	Liu,Cheng-Yi	6	0	100%	
Other mentionable items:					
1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.					
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

(2) Scope of duties and Execution in the most recent year:

A. Scope of duties

- ① Establishing and periodically reviewing the annual and long-term performance goals for the directors and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.
 ② Periodically assessing the degree to which performance goals for the directors and managerial officers of this Corporation have been achieved, and setting the types and amounts of their individual compensation.

B. Execution in 2021 and up to date till the Annual Report printed

Remuneration Committee Meeting Date	Session	Agenda	Remuneration Committee Resolution Results	Corporation's responses to the comments of the Remuneration Committee
2022.01.21	2022/1	(1)The ratification of managers' performance bonuses and distribution of year-end bonus.	Proposal approved	None
2022.03.21	2022/2	(1) Proposed distribution of 2021 compensation of employees and directors. (2) Adjustment of the salary of the Company's managers and distribution of their performance bonus.	Proposal approved Proposal approved	None None
2022.08.11	2022/3	(1) Distribution of 2021 compensation for the Company's managers, directors.	Proposal approved	None
2022.10.06	2022/4	(1) The ratification of managers' distribution of performance bonus.	Proposal approved	None
2023.01.13	2023/1	(1)The ratification of managers' distribution of year-end bonus.	Proposal approved	None
2023.03.14	2023/2	(1) Proposed distribution of 2022 compensation of employees and directors. (2) Proposed the adjustment of the managers' salary and distribution of their performance bonus.	Proposal approved Proposal approved	None None

(3)Nomination committee : None.

5. Execution of sustainable development promotion, gaps between the execution result and the standards of Sustainable Development Best-Practice Principles for TWSE/TPEX

Listed Companies, and the reasons:

Promoted items	Y	N	Execution results	Gaps between the execution result and the standards of Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons
<p>1.Does the Company establish the governance structure for promoting sustainable development, and set up the ad hoc (designated) commission for promoting sustainable development, and does the Board authorize high-level management to handle the project, and supervise the execution process?</p>	V		<p>The Company initiated an operation structure to advocate corporate social responsibility. Through the Board’s approval, the General Manager will dictate each responsible unit to stipulate and review the associated policies and execution result. In addition, the green center, created in 2008, was renamed the Sustainability Office in 2011 for the matters associated with sustainable development. Our ESG (Environmental, Social, and Governance) Committee, chaired by the General Manager, worked to establish various plans goals including long-term carbon reduction, supply chain management and environmental badges for our products. Several task squads covering environmental, social and corporate governance issues, have formed cross-department. Each quarter, the vice president will convene meetings to report the operation execution and results to the General Manager, including reviewing goals and progress based on the sustainability issues to make plans for the following year. A report will also be made to the Board each year. The 2022 reporting was made on November 11, 2022. Please refer to the Sustainability Report from https://tw.msi.com/about/company/. For greenhouse gas (GHG) inventory and certification of our consolidated subsidiaries, the results are sent to Board meetings for discussion, starting from the first quarter in 2023. Other than supervising the progress, the Board also suggested make reference to the international trends and industrial practices to meet the requirements from Corporate Governance 3.0 and the related regulations.</p>	None

<p>2.If the Company set up a unit exclusively or concurrently to execute CSR policies and if the Board appointed member(s) of management team to supervise and report its implementation status to the Board?</p>	V	<p>Other than the “Risk Management Policy and Procedures” established, the Company continues paying attention to key operational risks based on the Business Continuity Plan, BCP, with the necessary investment for the related control and counteractions.</p> <p>To answer the Double materiality principle promoted by EU, in our sustainability report we adopted the impact materiality concerned by the stakeholders and as the main focus, supported by the financial materiality principle using GRI Standards. Actual practices for identifying the material issues are as follows :</p> <table border="1" data-bbox="936 272 1953 475"> <tr> <td data-bbox="936 272 1025 316">Economy and Governance</td> <td data-bbox="1025 272 1953 316">Operation Performance, Ethical Corporate Management and Good Governance, Legal Compliance, Supplier Management and Management</td> </tr> <tr> <td data-bbox="936 316 1025 359">Environmental Issues</td> <td data-bbox="1025 316 1953 359">Product liabilities, energy management, climate change, pollution prevention and water resource management</td> </tr> <tr> <td data-bbox="936 359 1025 402">Social Issues</td> <td data-bbox="1025 359 1953 402">Human resources development, occupational health and safety, human right management and labor–management relation, e right and friendly workplace and social engagement</td> </tr> <tr> <td data-bbox="936 402 1025 475">Stakeholders</td> <td data-bbox="1025 402 1953 475">We have adopted the principles from AA1000 Stakeholder Engagement Standard (AA1000 SES), including influence, tension, responsibility, dependence, diverse perspective as the judgement standards, while factoring into the global trend of sustainability and operation needs and defining seven stakeholders, covering investors/shareholders, customers, suppliers, employees, media, governments and none-profit organization.</td> </tr> </table> <p>Assessment Standard According to the GRI Standards (2021) and the GRI Perspective, the assessment of sustainability issues requires an assessment of the significance of the impact, meaning applying risk management to identify the severity and likelihood of negative impacts, as well as the scale, scope and likelihood of positive impacts.</p> <p>Procedures Through our internal discussion with the consideration of information from the stakeholders communication over the year and the managers approvals from the governance and sustainability development units, our reporting issues by the order of importance are as follows: 1. Economy and Governance: Operation performance and supply chain management. 2. Environment: Product liability and climate change. 3. Society: Human resources development and human right management and labor–management relation.</p> <p>Results All management approaches and results have been disclosed in the sustainability reports with details. There were still many topics of concern deserving the attention of MSI in the course of sustainable development. To satisfy the specific stakeholders or the material topics of their indirect impacts, MSI appropriately disclosed the impacts with SDGs in the report. MSI reviews the effort they made in sustainable development through the publication of the Sustainability Report, and establishes a diversity of channels for communication with the stakeholders and responds to topics of their concern to fulfill the expectation and concern of the stakeholders from MSI. MSI will review the topics covered under the sustainable development in each reporting period depending on the design of the topic content and stakeholder communication to ensure the needs of adjustment of the topics.</p> <p>The risk boundary covers factories in Taiwan and China, The scope of risk management covers the major risks in the operational processes, which are financial risk, regulatory risk, strategy and operational risk, information security risk, climate risk. Please read pages 77~82 & 96~104 of this annual report, and visit the Company’s sustainable development report https://tw.msi.com for related management policies and strategies.</p>	Economy and Governance	Operation Performance, Ethical Corporate Management and Good Governance, Legal Compliance, Supplier Management and Management	Environmental Issues	Product liabilities, energy management, climate change, pollution prevention and water resource management	Social Issues	Human resources development, occupational health and safety, human right management and labor–management relation, e right and friendly workplace and social engagement	Stakeholders	We have adopted the principles from AA1000 Stakeholder Engagement Standard (AA1000 SES), including influence, tension, responsibility, dependence, diverse perspective as the judgement standards, while factoring into the global trend of sustainability and operation needs and defining seven stakeholders, covering investors/shareholders, customers, suppliers, employees, media, governments and none-profit organization.	None
Economy and Governance	Operation Performance, Ethical Corporate Management and Good Governance, Legal Compliance, Supplier Management and Management										
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<p>3. Environmental Topics (1)If the Company established proper environment management system based on the characteristics of the industry where the Company belongs to?</p>	V	<p>The Company establishes the environmental management system and policies under the PDCA cycle according to the characteristics of the operation and production. Since the Company is not in the petrochemical industry, semiconductor industry or other more polluting industries, industries related to fossil fuel or high carbon emission, the Company is not subject to regulatory requirements. However, the Company observes the philosophy of sustainability, and applies for third-party certifications every year (ISO 14001 Environmental management system certification, QC 080000 Hazardous Substance Process Management (HSPM) system) to ensure the validity of the certificates, and continue to carry out ISO 14064-1 investigation of greenhouse gas at the organization level, ISO 14006 Guidelines for incorporating ecodesign, ISO 14072 Life cycle assessment and declaration of the organization. For relevant certification criteria and the scope, please visit the Company’s website: https://csr.msi.com/tw/Management-System-Certificate</p>	None								

<p>(2)Is the Company committed to increase the efficiency of energy utilization, and use reclaimed materials which cause less environmental impact?</p>	<p>V</p>	<p>With reference to international guidelines, and in compliance with environmental regulations, the Company is committed to increase the efficiency of energy utilization of every resource during its operating activities, We will continue our efforts in energy conservation transformation and facility replacement. Using 2007 as the base year, we aim to reduce greenhouse gas by 60% (Scope 1 and Scope 2) with 2% cut in electricity usage.</p> <p>In addition to the goal of energy-saving during business operations, the designs of products and packaging are also based on environmental friendliness. With technology and cost feasibility, we establish rigorous requirements for design management and implement them on product life cycle by considering resource conservation, recycling and reuse, energy saving, pollution prevention and other environmental impacts.</p> <ol style="list-style-type: none"> 1. The packaging materials are designed in a way that they can be decomposed by hand without using tools for reduced consumption of composite materials. 2. The instruction manuals are electronized to realize paperless product publications for reduced use of pulp. 3. Modular design is adopted for products to improve recycling efficiency. 4. Soy ink is used for packaging and printing pigments to improve the recycling rate of packaging materials when discarded. 5. When planning a marketing campaign, quality services and environmental strategies are considered at the same time. The high percentage of online internet virtual community reduces costs, increases effectiveness, and reduces papers and materials any offline physical campaign would need. Also, close and immediate interaction with the consumers help us understand the consumers' needs and provide the most heartwarming services. <p>Achievements and goals:</p> <ol style="list-style-type: none"> 1. MSI products come in designs that allows users to disassemble the plastic parts with common tools. For metal parts, they are easy to be separated without special tools. 2. Paper packaging materials are 100% recyclable and can be repurposed, of which 90% is made from recycled materials, to ensure the requirements from various international environmental badges. 3. Power consumption of the system products during the lowest consumption is <0.50W. 	<p>None</p>
<p>(3) Does the company evaluate the current and future potential risks and opportunities due to climate change, and take measures in response to climate change topics?</p>	<p>V</p>	<p>With reference to the Task Force on Climate-Related Financial Disclosures published by the Financial Stability Board (FSB), the Company, based on the disclosure framework – governance, strategy, risk management, and metrics and targets – identifies and evaluates the risks and opportunities in climate and environmental changes to facilitate risk control and explore potential development opportunity. Besides proactively announcing its control over greenhouse gas emission, MSI develops and signs the covenants, actively studies the control policies to reduce the emission of greenhouse gas. Also, MSI identifies the occurrence rate and severity environmental impact, operational impact, and of natural disaster caused by climate change, and develops the management guideline and actions for the incidental risks to its production and operation including constraint production capacity, operation, equipment, increased investment cost, insufficient efficiency. MSI Group's goal of reducing carbon emission started in 2007, and by 2030, we need to reduce the emission by 60%. In addition to including climate change as the issue of risk management for corporate sustainable operation, MSI keeps paying attention to the evolution of local and foreign regulations after the Paris Agreement to evaluate the responsive measures in the Company. For example (1) Periodically check and update the organization's carbon emission investigation to achieve the goal of reducing the greenhouse gas. (2) Evaluate feasible technologies and materials for product design and reduce energy loss of products. (3) Save water, improve the reuse rate of rainwater and wastewater, and establish emergency measures for water resources.</p>	<p>None</p>

<p>(4) Does the company calculate the emissions of greenhouse gas, water usage, and total weight of wastes in the past two years, and specify the policies for energy saving, carbon reduction, greenhouse gas emission reduction, water-saving, or other waste management?</p>	V	<p>MSI's use, emission and reduction of energy and resources are based on environmental management systems. MSI sets the management goals for executing the environmental policies and management, and keeps implementing audit and improvements. Please refer to the MSI sustainability report https://tw.msi.com/about/Company/.</p> <p>1. There are three major categories of emission based on the sources of greenhouse gas. The data covers our factories in Taiwan and China.</p> <p>(1)-1 Greenhouse gas emission (Unit:tCO2e)</p> <table border="1" data-bbox="1187 311 1971 430"> <thead> <tr> <th>Item/Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1 emission</td> <td>1,097</td> <td>2,003</td> </tr> <tr> <td>Scope 2 emission</td> <td>45,627</td> <td>57,149</td> </tr> <tr> <td>Scope 3* emission</td> <td>4,903</td> <td>6,099</td> </tr> </tbody> </table> <p>*: Scope 3 only covers the overseas business trips of employees at the headquarters, MSI Taipei's logistics transportation, disposal of wastes at factories in Taiwan, use of liquefied petroleum gas by the catering contractor of MSI Taipei, and indirect energy at the rented areas of Micro Electronics factory.</p> <p>(1)-2 Greenhouse gas intensity (Unit: tCO2e/per million revenue)</p> <table border="1" data-bbox="1187 582 1971 694"> <thead> <tr> <th>Item/Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1 emission intensity</td> <td>0.006</td> <td>0.010</td> </tr> <tr> <td>Scope 2 emission intensity</td> <td>0.252</td> <td>0.283</td> </tr> </tbody> </table> <p>(2) Water consumption</p> <table border="1" data-bbox="1187 718 1971 805"> <thead> <tr> <th>Item/Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Total water consumption (Unit: million liter)</td> <td>877.089</td> <td>1,086.43</td> </tr> <tr> <td>Water intensity (Unit: million liter/million revenue)</td> <td>4.86</td> <td>5.38</td> </tr> </tbody> </table> <p>(3) Wastes (Unit: kg)</p> <table border="1" data-bbox="1187 829 1971 941"> <thead> <tr> <th colspan="2">Item/Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Nonrecyclable wastes</td> <td>Hazardous industrial wastes</td> <td>168,574</td> <td>193,001</td> </tr> <tr> <td>Regular industrial wastes</td> <td>5,619,841</td> <td>3,660,066</td> </tr> <tr> <td colspan="2">Recyclable wastes</td> <td>3,935,275</td> <td>4,625,111</td> </tr> </tbody> </table> <p>2. Environmental policy Based on the responsibilities of environmental protection, pollution prevention, green production, and other good practice of corporates, MSI complies with the environmental and energy regulations, introduced the international environmental management system and occupational safety and health management system, and actively implements environmentally friendly measures. From 2020, MSI establishes the Environmental Protection and Corporate Social Responsibility Committee, which reviews the regulatory compliance and execution results, to effectively promote and maintain the environmental management system. Furthermore, MSI conducts internal and external audit certification to ensure that our environmental management is consistent with the planning, execution, audit and action and the goal of sustainable improvement will be achieved.</p>	Item/Year	2022	2021	Scope 1 emission	1,097	2,003	Scope 2 emission	45,627	57,149	Scope 3* emission	4,903	6,099	Item/Year	2022	2021	Scope 1 emission intensity	0.006	0.010	Scope 2 emission intensity	0.252	0.283	Item/Year	2022	2021	Total water consumption (Unit: million liter)	877.089	1,086.43	Water intensity (Unit: million liter/million revenue)	4.86	5.38	Item/Year		2022	2021	Nonrecyclable wastes	Hazardous industrial wastes	168,574	193,001	Regular industrial wastes	5,619,841	3,660,066	Recyclable wastes		3,935,275	4,625,111	None
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Total water consumption (Unit: million liter)	877.089	1,086.43																																														
Water intensity (Unit: million liter/million revenue)	4.86	5.38																																														
Item/Year		2022	2021																																													
Nonrecyclable wastes	Hazardous industrial wastes	168,574	193,001																																													
	Regular industrial wastes	5,619,841	3,660,066																																													
Recyclable wastes		3,935,275	4,625,111																																													

(1)Greenhouse gas management:

MSI started the greenhouse gas inspection from 2008, and continues investing in energy-saving improvements and equipment replacement. The scope 1 and scope 2 carbon emission in 2007 (113,675.33 tCO2e) has been lowered by 48% by the end of 2021. In the last two years, the business of Taoyuan factory and overall raised rapidly, causing the slight increase of greenhouse gas emission. MSI will invest in production efficiency, operational carbon management, and use of green power in order to reach the goal of reduction by 60% in 2030.

(2)Waste management:

While developing high-quality gaming products, the Company works hard in reducing the pollution from the operating activities and raising environmental quality. Our measures of pollution prevention are improving production technology, optimizing processing steps, reducing processing costs, and complying with environmental regulations. Based on the reduction of pollution, manufacturer’s responsibility, and satisfaction with international environmental requirements, MSI has considered the usage, disassembly, recycle, low toxicity when designing the products to reduce the amount of wastes, reduce the difficulty of recycling, and improve the environmental performance. When the disposal of wastes is subcontracted, MSI selects qualified subcontractors at the factories’ locations to handle regular and hazardous industrial wastes generated from the operation, and properly manage and document the generation, categorization and collection, recycling and transportation of wastes according to the environmental management systems.

(3)Water resource policy:

For clean production and environmental protection, every factory adopts a non-rinsing process for the products. Water is mostly used for employees’ daily use, which only generates domestic sewage. Domestic water comes 100% from the city government’s supply (tap water) and is not obtained from any river, lake or groundwater. There is no significant impact to the water source and community water supply. The Company promises to keep monitoring the use of water resources, and improve the quality of sewage disposal, Increase the usage of recycled water to cut down the reliance on raw water, avoid waste in water and impact to water resources. Meanwhile, the Company pursues the optimization of water consumption efficiency, optimizes the measures of water resource management, considers the water saving equipment first when changing any equipment, and educates the employees to reduce wastes in water resources.

(4)The goals of each environmental performance are:

- ① Greenhouse gas emission: the basis is the emission in 2007 (113,675.33 tCO2e). By 2030, the emission shall be reduced by 60%. Currently, by all energy-saving measures and replacement of equipment, installation of renewable energy equipment at the factories, the greenhouse gas emission has been reduced by 48%.
- ② Water consumption and wastes are respectively reduced by 1% compared to the previous reporting year.

3. Below are the environmental certifications:

Accreditation, certification or audit	Effective term of certificates at each factory during the reporting term			
	Taipei	Taoyuan	MSI Shenzhen	微盟
Environmental management ISO 14001	2025/10/7	2025/10/27	2025/11/01	2025/11/03
Energy management ISO 50001	-	-	2025/12/07	2025/02/13
Reporting of greenhouse gas at the organization level ISO 14064-1	Conducted annually. Declaration of conformity is issued every April.			

<p>4. Social Topics</p> <p>(1) If the Company followed relevant labor laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?</p>	V	<p>Created “MSI Declaration of Human Rights” and “MSI Modern Slavery Act Transparency Statement.” The measures include no discrimination, no forced or compulsory labor, no child labor, and the complaint procedures. MSI holds training and educational propaganda about anti-discrimination, ethics (anti-corruption), employee welfare (including human rights), force labor and sexual harassment for its management team, employee, and new hires (744.55 hours in 2022). Furthermore, Therefore, we treat employees in the same way without distinction of any kind, such as race, color, sex, age, religion, political or other opinions, national or social origins, or other status. All the employees are treated equally with regard to their opportunities in employment, appraisal, promotion, salary, benefits and training to ensure equality of their rights. We ensure to respect labor rights and the implementation of equal treatment.</p>	None																																																																		
<p>(2) Does the company specify and implement reasonable employee welfare measures (including compensation, leave, and other benefits), and properly reflect the management performance or achievements in the employee compensation?</p>	V	<p>The Company’s “Work Rules” set up the basis of employee conducts and welfares, including salary, leave, and other benefits. Employee salary and bonus will be paid reasonably through the performance evaluation based on the employee’s job duties and contribution pursuant to the Articles of Incorporation, Compensation Management Policy, Employee Performance Evaluation Policy, and Employee Compensation Distribution and Stock Option Policy. The operational achievements or success will be properly reflected in the employees’ salary. Please refer to pages 79 to 81 of this annual report for employee welfare measures. Information of workplace diversity and equal employment is as below:</p> <table border="1" data-bbox="1131 614 1971 845"> <thead> <tr> <th rowspan="2">Item</th> <th rowspan="2">Percentage of number of people</th> <th colspan="3">Education level</th> <th colspan="4">Title</th> <th colspan="3">Age</th> <th rowspan="2">Minority group employee</th> <th rowspan="2">Foreign employee</th> </tr> <tr> <th>Master’s degree and above</th> <th>Bachelor’s degree/associate degree</th> <th>Others</th> <th>High level manager</th> <th>Mid-level manager</th> <th>Section leader</th> <th>General employee</th> <th>Below 30 years old</th> <th>30 – 50 years old</th> <th>Above 50 years old</th> </tr> </thead> <tbody> <tr> <td>Female</td> <td>39.61</td> <td>6.99</td> <td>27.60</td> <td>5.02</td> <td>0.23</td> <td>4.30</td> <td>0.00</td> <td>35.08</td> <td>9.03</td> <td>28.03</td> <td>2.56</td> <td>0.23</td> <td>0.85</td> </tr> <tr> <td>Male</td> <td>60.39</td> <td>15.16</td> <td>41.19</td> <td>4.04</td> <td>1.54</td> <td>12.14</td> <td>0.07</td> <td>46.64</td> <td>11.65</td> <td>43.12</td> <td>5.61</td> <td>0.46</td> <td>0.85</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>22.15</td> <td>68.79</td> <td>9.06</td> <td>1.77</td> <td>16.44</td> <td>0.07</td> <td>81.72</td> <td>20.68</td> <td>71.15</td> <td>8.17</td> <td>0.69</td> <td>1.70</td> </tr> </tbody> </table>	Item	Percentage of number of people	Education level			Title				Age			Minority group employee	Foreign employee	Master’s degree and above	Bachelor’s degree/associate degree	Others	High level manager	Mid-level manager	Section leader	General employee	Below 30 years old	30 – 50 years old	Above 50 years old	Female	39.61	6.99	27.60	5.02	0.23	4.30	0.00	35.08	9.03	28.03	2.56	0.23	0.85	Male	60.39	15.16	41.19	4.04	1.54	12.14	0.07	46.64	11.65	43.12	5.61	0.46	0.85	Total	100.00	22.15	68.79	9.06	1.77	16.44	0.07	81.72	20.68	71.15	8.17	0.69	1.70	None
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<p>(3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically?</p>		<p>The company has set up the Occupational Safety and Health management entities, Occupational Safety and Health committee, Meal Committee and medical care office, conducted regular safety and health training for employees and contractors to provide a safe workplace and ensure employee’s physical and mental health (2,670.5 hours in 2022).</p> <table border="1" data-bbox="1131 957 1926 1204"> <thead> <tr> <th>Item</th> <th></th> </tr> </thead> <tbody> <tr> <td>Subcontractor safety and health educational training</td> <td>314 hours</td> </tr> <tr> <td>Health promotion workshop/campaign, health information session</td> <td>2,356.5 hours</td> </tr> <tr> <td>On-site subcontractor training/central kitchen self-training/meal and food safety environmental training (including audit method)/employee diet and health & pandemic prevention campaign</td> <td>Training sessions of environmental education and food hygiene for on-site suppliers were suspended in 2022 due to the pandemic.</td> </tr> </tbody> </table> <p>The company has received the ISO 45001 Occupational Safety and Health Management System Certification and the “Healthy Workplace Self-certified Health Promotion Label”. In order to promote the safety of the working environment and physical protection of employees, the company continues to carry out related equipment maintenance and safety testing.</p>	Item		Subcontractor safety and health educational training	314 hours	Health promotion workshop/campaign, health information session	2,356.5 hours	On-site subcontractor training/central kitchen self-training/meal and food safety environmental training (including audit method)/employee diet and health & pandemic prevention campaign	Training sessions of environmental education and food hygiene for on-site suppliers were suspended in 2022 due to the pandemic.																																																											
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(4)If the Company provided career planning, relevant training and skill development for employees?	V	<p data-bbox="1128 1002 1966 1203">The Company highly values training and career developments for its employees. In order to continue promoting quality talent cultivation and key skills management, there are the Regulations Governing Educational Training that address continuing education and training for employees. Meanwhile, budget is appropriated on a yearly basis to facilitate organization of various types of educational training. Lecturers are hired periodically or from time to time to hold workshops. Reflective of the different rankings and levels of professionalism, internal or external educational training is provided to help employees form complete professional skills and inspire them to seek self-growth.</p> <p data-bbox="1128 1208 1895 1385">The 2022 training roadmap is based on the senior manager’s development direction for the company, and diversified talent management. The ultimate goal is to increase the overall organizational performance, enhance managers’ leadership, and develop the key talent needed for the company’s future development, raise the company’s competitiveness. In 2022, 483 physical courses or online internal training courses were held. The total length of employee training, internally and externally, reached 37,524 hours. The total cost of employee training is NT\$4.46 million.</p>	None																								

<p>(5) Regarding the health and safety of customers of products and services, customer privacy, marketing and labeling, does the Company comply with the regulations and international guidelines, and establish the policies of consumer or client protection, and the complaint procedures</p>	<p>V</p>	<p>We ask the suppliers and vendors to strictly comply with the MSI "Green Product Regulations," which specifies that any product or service provided by the suppliers should meet the environmental requirements; implement the hazardous substance management, urge the supply chain to comply with the regulations together, reduce the impact to the environmental ecology, and provide safe, healthy, environmentally friendly products to the consumers. MSI product marketing and labeling are compliant with the regulations and industrial standards. Designated departments enforce such compliance based on internal processing documentation. We ensure that product marketing and labeling meet the standards through product certification, quality control, and third-party testing. The Company has purchased proper product liability insurance to protect clients and consumers' rights. We also set up a global service system in Taiwan, Europe, the U.S., Japan, Korea, China and other countries, including company-run or subcontracted repair locations and customer service centers to provide maintenance and after-sale services. The website provides different language versions for the consumers to download technical support and update. MSI establishes the "Privacy Policy" https://www.msi.com/page/privacy-policy to prevent unauthorized disclosure of client privacy or personal data and protect clients' interests. Consumers can file complaint and dispute to the stakeholder email address 080419864@msi.com for resolution, or through the Company's reporting system: audit@msi.com. Please refer to MSI sustainability report https://tw.msi.com/about/Company/ for more information.</p>	<p>None</p>
<p>(6) Does the company specify any supplier management policy to request the suppliers to comply with the regulations regarding environmental protection, occupational health and safety, or worker' rights, and how is the enforcement status?</p>	<p>V</p>	<p>The Company has established the Supplier Management Guidelines. New suppliers go through evaluation that covers human rights, the environmental and social responsibilities. For existing suppliers, there are also supplier evaluations from time to time in order to ensure that suppliers comply with corporate social responsibilities. It also reduces losses in bilateral transactions or good will because of the environmental or social responsibilities. The Company specifies in the supplier procurement contract that if suppliers violate its corporate social responsibility policy and the violation has a significant influence on the environment and the society, Micro-Star may terminate or dismiss the terms and conditions in the contract at any time. The Company also enforces the policy that requires all suppliers to sign its custom procurement contract.</p>	<p>None</p>
<p>5. Does the company prepare the corporate social responsibility reports according to the internationally accepted guidelines or instructions to disclose the company's non-financial information? Has any third-party verification agency provided affirmed or certified opinion for such report?</p>	<p>V</p>	<p>The content structure of MSI's ESG report is prepared in accordance with GRI Standards of the Global Reporting Initiative (GRI) and the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, and certified by an independent third party (BSI Pacific Limited, Taiwan Branch) in accordance with the AA1000AP (AA1000 AccountAbility Principles) guarantee standard, and obtain the GRI Standard verification statement. MSI continues to publish the sustainability report every year (2023 sustainability report is expected to be completed by June 30, 2023). The report will be uploaded to the Market Observation Post System within the statutory deadline.</p>	<p>None</p>
<p>6. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation: None. Pursuant to the "Listed Company Corporate Governance Best Practice Principles" and passed by the Board of Directors, the Company has established the "MSI Corporate Governance Best Practice Principles", of which the Board of Directors.</p>			

7. Other important information that helps to understand the execution of sustainable development: The Company has set up a page on its website to disclose all information related to corporate social responsibility ([http://tw.msi.com/Corporate Social Responsibility](http://tw.msi.com/Corporate%20Social%20Responsibility))

MSI continues to engage the community and participate in education, charity auction and environmental protection activities through sponsorship and employee volunteers. In Taiwan, we not only get involved in public services through investment of our internal resources, but also joined in the activities of charity groups. Through the process of service to and in the communities, we expand our love and care into the world and unify our employees' values and commitment towards MSI's corporate social responsibilities. MSI will continue to make its presence in services for the rural areas and disadvantaged groups.

(1) Education and care

- A. School lunch: This year, we sponsored the school lunch at remote schools in New Taipei City. 68 schools and about 15,101 families benefited.
- B. After-school programs: We launched the after-school program "MSI Guide Student Aspire" for disadvantaged students to raise their basic learning ability, their confidence despite of an inferior family background, develop their potential, and build a caring, warm society with mutual support. We opened 188 after-school programs at 51 elementary and junior high schools in New Taipei City, and about 3,155 families benefited.
- C. Technological creation: We sponsored the summer camps in elementary and junior high schools in New Taipei City, established the on-campus PowerTech club and participated in the New Taipei City contests and national competition. We promoted the PowerTech Youth Technological Creation Contest to every school, increased students' craft skills and general science knowledge. 23 elementary and junior high schools in New Taipei City, and about 1982 students benefited.
- D. Special ed student family field trip: Sponsored two one-day field trips for the fifth and sixth graders of the centralized special education classes in elementary schools in New Taipei City to visit DECATHLON New Taipei Sanchong Store. The family events were conducted in the way of outdoors exploration, through the professional guidance, we took students and their families enjoy the fun of teaching and broaden horizon from the class and the activity. The parents can also be relieved from the tension of taking care of the kids. A total of 80 special education families and 500 students was benefited.
- E. Sistema Taiwan sponsorship: We sponsored Sistema Taiwan, a charitable program for music education, and supported the music education for disadvantaged kids to expand the possibility of life by learning music.
- F. Tutoring classes for students with disabilities: We sponsored tutoring series for elementary students with physical and mental disabilities in New Taipei City. A total of 140 students benefited under the program.

(2) Support for disadvantaged groups

- A. Dream-Come-True fund: We supported diligent and hardworking students who come from underprivileged families or experience family crisis to complete school education through the "Implementation Plan for Educational Aid to Realize Dream Fund" We hope that these kids can commit themselves to learning without worrying about their family or personal hardship with the support from the DCT fund, a total of 211 outstanding students under poverty line were benefited.
- B. High-risk caregiver support program: We sponsored Hondao Senior Citizen's Welfare Foundation MSI Program – providing the all-in-one services, family care services, respite care, and value-added services to high-risk families. A total of 2051 people were served.
- C. Green Pathway of Early Intervention Profession for Children aged 0–6: Under the management of Social Welfare Department, New Taipei City, we helped to place about 100 children of possible cases in care facilities, including foster families, semi families, relative homes, kids shelter, etc., and receive the proof of development delay and needed care, in order to release stress from the main carers and continue necessary treatments.
- D. Green Charity Flagship: We have sponsored solar panels which give power generation income to Renyou Sanatorium. Not only contribute extra income around NT\$2.9 million, but also contribute to sustainable environment with greater values.
- E. Listening training for children with hearing loss: MSI helped provide assistance to kids aged 0 to 6 with hearing loss, including hearing checking, assessment, counseling, listening training and auxiliary equipment, to help them open communication to the world, as well as achieving indicators under SDG 3, sound health and social benefit, SDG 4, sound education, SDG 10, inequality reduction. A total of 500 children benefited through the program.
- F. Happy Work Association: We sponsored people with disabilities with needed training courses including various skills, hand-made works, and self-help abilities for stable life building. A total of 40 families benefited.
- G. Short-term emergency placement and medical care for kids of special needs: We assisted children and young adults suffered from dysfunctional families or mistreatment with safe, temporary shelters for necessary cares and counseling. A total of 40 families benefited.
- H. Solitary Elder Care: We advocated shared prosperity between the youth and the silver society by inviting youths to participate in serving elderly people, in the hope that the health, mind and spirit of the elders are touched by society to reduced risks of dementia and disability. A total of 1,000 solitary elders benefited.
- I. Children and youngster education: We gave sponsorships for disadvantaged children and youngsters to get higher education and vocational training and starting their business to help them develop independence and stop the poverty cycle. A total of 1,990 people benefited.

- (3) Corporate Volunteering
- A. Volunteer work in a cheerleading competition.
 - B. The Volunteer Club volunteered in the 31th Ya Teh Sport Day for Disabled People in 2022.
 - C. Second-hand toy donation to the Toy Library, 75 kg in seven boxes, or a carbon cut by 18 kg.
 - D. Tree Planting: A total of 122 people joint the event with more than 1,000 tree plants, or a carbon cut by more than 10,000 kg.
 - E. Pet Loving Club: Volunteer work in Panchiao Animal House by 31 headcounts or 62 hours.
- (4) Medical Support
- Blood donation: MSI invites the blood donation center to hold the blood donation event “Spread the Love Blood Donation Event” at the company every year. Department managers and colleagues join the blood donation, show care, and help patients to survive. This is a kind behavior with mutual benefits. 293 people donated 472 bags in 2022.
- (5) Giving Back to the Community
- A. Fire Department, New Taipei City Government Seventh Rescue Unit: Donation of medical supplies.
 - B. 1st Disaster Rescue Squadron, Taoyuan Fire Department: Donation of firefighting training gears.
 - C. Zhonghe Precinct, New Taipei City Police Department: Donation of service gears.
 - D. Taoyuan Precinct, Taoyuan Fire Department: Donation of service gears.
 - E. Police Department, New Taipei City: Donation to comfort the injuries or deaths.
- (6) Computer Donation
- We gave support to various institutions to assist the disadvantaged groups for better living and education, including 1) a mid-way care center for homeless people in New Taipei City; 2) Renewal Foundation Taiwan; 3) Tatung Nursery; 4) Department of Education, Nantou County; 5) Department of Social Welfare, Taoyuan; 6) Social Welfare Department, New Taipei City; 7) Children Study Group, Yunlin County; 8) New Hope Foundation.
- (7) Environmental Protection Activities
- A. Protection of wetland ecosystem: MSI sponsored Taiwan Society of Wilderness (SOW) to fund Wugu wetlands conservation project to conduct ecological census, wading birds tidal flat construction, volunteering, and advocate environmental protection education.
 - B. Good Rice Action sponsorship: Sponsored the rice growing on 0.5 Jia agricultural land in Nan’ao. Donation of 2,000 kg of organic brown rice to the disadvantaged through a charity platform, managed by the Social Welfare Department, New Taipei City.
 - C. Tea sponsoring: We care about the concept of sustainable global environment and ecological conservation, protect water resources in Pinglin area, maintain the Feitsui Reservoir and take care of the health and life of tea growers in Pinglin area. We sponsor the New Taipei City Organic Agricultural Products Marketing Cooperative to promote organic tea cultivation and promotion project in Pinglin area. Tea leaves (equivalent to 10,000 tea bags), once picked, will be provided to the disadvantaged elderly through a charity platform, managed by the Social Welfare Department, New Taipei City.
 - D. Tree planting with Tse-Xin Organic Agriculture Foundation: We participated in the costal forestation under Taijiang National Park to enhance the ecological habitat functions and biodiversity resilience in wetlands and coasts during climate change, strengthen carbon sink ability, as well as covering the economic benefits and preserve the cultural legacies. A total of 122 people participated with 1,000 trees planted achieving approximately 10,000 kg carbon reduction.
 - E. Toy Library Association: We supported second-hand toys for environmental protection, society sharing, child-friendliness, and fun for all ages, while achieving the indicators of SDG 4, sound education, SDG 11, sustainable city, and SDG 12, responsible consumption and productions.
 - F. Adoption of organic pomelo in Bali: We donated 2,200 tkg pomelo to the disadvantaged families through a charity platform, managed by the Social Welfare Department, New Taipei City.
- (8) Culture Development
- A. God of Land Culture Festival, Zhonghe District: MSI gave sponsorship to the culture event to honor the God of Land in the area.
 - B. Lantern Festival, Zhonghe District: MSI gave sponsorship to the culture event to promote the lantern tradition.
- (9) Industry–Academia Cooperation
- A. MSI Computer Science Talent Pool Cultivation Center: We helped schools and the disadvantaged groups to learn better with fun without limit through our resource sharing program. A total of 1,508 people benefited.
 - B. Chung Yuan Christian University: We donated computer facilities to the research labs in Chung Yuan Christian University for AI algorithm operation to support a campus creativity competition under an industry–academia cooperation project.
 - C. To bridge the gap between college education and industry needs to prepare fresh graduates for future job markets, we have established diverse educational programs encouraging self-learning with a hands-on mechanism that is cross-departmental, industry and domain from 2018. Through the five approaches, including credit recognition, online expertise training, field experience, matching students for enterprise internship, and campus, we hope to help the students to fulfill the ideal of employment immediately after graduation. In 2022, we provided internships to 18 university students in their third and fourth year in the fields of NB industrial design, visual animation design, technical support and CNC mold making, to assist their learning after returning to the campus.
8. If the company’s CSR report passes the inspection standards of any verification institution, please describe such situation: <MSI 2021 ESG Report> is based on the GRI Standard published by the Global Reporting Initiative (GRI), and verified by British Standards Institution (BSI) Taiwan Branch in accordance with AccountAbility1000 (AA1000) Guarantee Standards, and receives the GRI Standard: Core Option Verification Statement.

6. Difference between implementation of ethical corporate management and Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons:

Implementation of ethical corporate management

Indicator	Operation			Variation from Corporate Governance Best Practice Principles and Reason
	Yes	No	Summary	
<p>1. Codify Ethical Management Policies and Plans</p> <p>(1) Does the company specify the ethical management policy, which has been passed by the Board of Directors, and specify the policy and measures of ethical management in its regulations and external documents? Do the Board of Directors and Senior Management proactively perform the commitment to ethical management?</p>	V		<p>The Board of Directors and senior management diligently perform their commitment to ethical management. Since we introduced the "Electronic Industry Citizenship Coalition (EICC) in 2008, we and our suppliers follow the highest moral and ethical standards. The requirements of honest business and prohibition of illegal profit are specified in the supplier agreements.</p> <p>In order to prevent unethical conduct during the business activities, our "Procedures of Board of Directors Meetings" and "Responsibilities of Independent Directors" ask directors to recuse from any motion in the Board meeting with which they have conflict of interest without being asked to. The Board of Directors also passed the "Corporate Governance Guidelines," "Ethical Management Guidelines," "Code of Ethics" and "Work Rules" to specify and implement the ethical conduct of directors, managers, employees and suppliers, punishment of perpetrators, and complaint system.</p>	None
<p>(2) Does the company establish the evaluation mechanism of risk of unethical management, periodically analyze and evaluate the business activities with higher risk of unethical management in its course of business, and specify the plans of preventing unethical conduct accordingly, which at least cover the preventions of conduct set forth in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>The company's "Ethical Management Guidelines" specified the measures of preventing unethical conducts set forth in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, including prohibition on giving and receiving bribes, offering illegal political contribution, and engaging in improper charitable donation or sponsorship, providing or accepting unreasonable gifts, treatments, or other improper profits.</p>	None
<p>(3) Does the company specify and implement the procedures, behavioral guidelines, punishment of perpetrators, and complaint system in the plans of preventing unethical conduct, and periodically review and modify such plans?</p>	V		<p>The company complies with the rule of conflict of interest and anti-corruption. In addition to asking all employees and suppliers to sign the moral ethics statements, providing internal and external training to new employees and suppliers, we also prohibit improper profits, or treatment from interested parties and other unethical conduct in the course of business activities. We specify the anti-corruption policy, reward and punishment procedures. The internal audit office develops the periodic audit scheme, accepts report of violation, and reports to the Board to prevent corruption incidents.</p>	None
<p>2. Implementing ethical management</p> <p>(1) Does the Company evaluate the ethical record of its transaction parties and explicitly include clauses on ethical behavior in contracts ?</p>	V		<p>The Company has articles about honest behavior in its business contract and avoids doing business with people with records of dishonest behavior.</p>	None
<p>(2) Does the company set up a dedicated division of promoting ethical management under the Board of Directors, and periodically (at least annually) report the ethical management policy and plans of preventing unethical conduct to the Board, and supervise the enforcement?</p>	V		<p>In order to prevent against conflicts of interest and to offer channels for proper statements, independent directors form the part-time unit in charge of ethical management at the Company in order to promote and consolidate honest operations and the unit reports to the Board of Directors periodically.</p>	None
<p>(3) Does the Company have a conflict-of-interest prevention policy with suitable channels for reporting such conflicts, and enforces such a policy ?</p>	V		<p>In case of any illegal condition in violation of honest operation, complaints may be filed with or the condition may be reported to the Company's supervisors or the Internal Audit Office.</p>	None
<p>(4) Does the company have an effective accounting system and internal control system in place in order to implement ethical management, and request the internal audit division to prepare the audit plans based on the risk evaluation of unethical conduct in order to inspect non-compliance with the unethical conduct prevention plan, or hire an accounting firm to do so?</p>	V		<p>The Internal Audit Office audits the Company's accounting system, internal control system, and fulfillment of honest operations on a yearly basis according to the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Management Principles Prepare relevant audit plans and conduct the inspection accordingly</p>	None

(5) Does the Company regularly host internal and external training on ethical management?	V	The company advertises the concept of ethical management on its website, and provides internal and external training to the employees. Substantive measures for implementing ethical management policy in 2022 include the new employee consensus training program. The program covers the introduction to internal control and audit, prevention of unethical conduct, and how to report a violation. There were 358 people who participated in the 196-hours training session.	None
3. Operation of the corporate whistleblower system (1) Does the Company have an explicit whistleblower and incentive scheme in place that protects whistleblowers and assigns appropriate personnel for investigating the target of the whistleblower complaint ?	V	In the event that stakeholders discover that the Company's directors and Independent directors, managers, and employees are engaged in illegal behavior in violation of ethical management (including corruption and immoral behavior), they may file a complaint with or report to the Company's supervisors or Internal Audit Office. Internal Audit Office will assign dedicated employees to investigate the filing complaint. If it is found to be true, punishment will be imposed according to the internal rules and applicable laws and regulations.	None
(2) Does the company specify the standard investigation process for reported violation, subsequent measures upon the completion of investigation, and relevant confidentiality mechanism?	V	The company's "Procedures of Reporting Violation to Audit Office and Subsequent Measures" specify the standard investigation process, subsequent measures upon the completion of investigation, and relevant confidentiality mechanism	None
(3) Does the Company have measures to protect whistleblowers against retaliation ?	V	The reporter and the receiving head shall assist the audit unit in conducting an investigation. No unilateral investigation, comments, transcribing the case and the reporter is allowed. No inquiry about or release of the true identity of the reporter or disciplining the reporter and the reported party is allowed, either.	None
4. Greater disclosure (1) Does the Company disclose its ethical management principles and progress on its promotion through its website or the Market Observation Post System website ?	V	Besides in the Market Observation Post System, the contents of the Company's Ethical Management Principles and the promotion efficacy are disclosed on the Company's website http://tw.msi.com/ .	None
5. If the Company has drafted an ethical management principle according to "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," the operation of the principle and the deviation from the principle should be clearly stated: The Company has established "Code of Ethical" based on TWSE/TPEX's "Ethical Corporate Management Principles".			
6. Other material information that helps to understand the operation of the Company's ethical management (such as the Company's declaration of its resolve and policies to its business partners; the Company's invitation of training to its partners; and the Company's revision of its ethical management principles) : None			

7. How to search for the Corporate Governance Principles and applicable rules:

In order to create a corporate culture of ethical management and normalize its development, the Company has established the Ethical Management Principles, Code of Moral Conduct, and also the Board of Directors Rules of Procedure, Scope of Responsibilities of Independent Directors, and Corporate Governance Principles in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (all are disclosed on the Market Observation Post System website <http://mops.twse.com.tw>) in order to promote the operating efficiency, decision-making ability of the Board of Directors and the moral standards.

8. Other Information:

(1) Continuing education for directors: The Company holds seminars on topics relating corporate governance from time to time for directors to attend. The status of continuing education is disclosed on the Market Observation Post System website as required.

For detailed continuing education received by directors and high-ranking managers of the Company over the past few years, refer to Page 29.

(2) Coverage of directors by liability insurance: The Company revised its Articles of Incorporation on June 9, 2004 that the Board of Directors may be authorized to decide to purchase liability insurance for all directors and supervisors to cover liability risk within the scope of their operation when duty. The Company purchases liability insurance for directors every year and disclose the information on the Market Observation Post System website.

(3) Presence of absence of an operating procedure for handling significant information: The Company has stipulated "Procedures for Handling Material Insider Information" and procedures for handling information under its internal control system, with regular audits.

(4)The selection and remuneration of the company's senior executives were approved by the board of directors and the remuneration committee. In order to implement the succession plan of key management and cooperate with the competent authorities to promote corporate governance. The succession plan was drafted several years ago, including assessment of current high-ranking managers based on their professionalism, performance, and personality traits, Continuous cultivation of successors at all levels within the organization and recruitment of excellent talents when needed to achieve internal benign competition and succession through the Leadership College, Sales and Marketing College, R&D College, Technical Skills College, E-School of the MSI University and other comprehensive training courses.continuous cultivation of successors at all levels within the organization (including Director and senior management) and recruitment of excellent talents when needed to achieve internal benign competition and succession.

On June 16, 2009, Mr. Chiang Shengchang, an excellent manager, was recruited into the board of directors and was promoted to be the executive vice president and general manager of the Desktop Platform Division in March 2010 so that he can have a complete experience. With the internal organization adjustment on Jan.1, 2019, the succession plan was formally launched as Mr. Hsu Hsiang becoming the chairman of the company and Mr. Chiang Shengchang the general manager and CEO of the Company · (Mr. Chiang, Sheng-Chang was dismissed on July 7, 2020), on July 8, 2020, the Board of Directors appointed one of the founders, Mr. Huang, Chin-Ching, as the President, adhering to the practice that the chairman and general manager of the Company are not the same person in the corporate governance goal. In addition, on June 15, 2018 the Shareholders' Meeting nominated outstanding managers Mr. Kuo, Hsu-Kuang, Mr. Liao, Chun-Keng and Mr. Hung, Yu-Sheng for directors again, and promoted the three managers as vice executive presidents and presidents of business units on January 1, 2019. Furthermore, on July 16, 2021, a female director Ms. Chen, Te-Ling was elected. In the future, the Board of Directors and the Operation Management Committee will continue the successor plan, Meanwhile, the directors' performance evaluation will be referred to for reelection to implement corporate governance and realize sustainable business operation.

(5)Annual work focuses and operational situation of the Audit Committee:

Annual work focuses		Operational situation	
1.	Main items reviewed by the audit committee:	The first audit committee of the Company was established on June 15, 2018. It consists of three independent directors This session elected independent director Mr. Hsu, Jun-Shyan as the chief coordinator. As of the print date of the annual report, the committee held 7 meetings. The operation is smooth.	
	(1)Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.		Frequency Depends on actual needs
	(2)Assessment of the effectiveness of the internal control system.		Once per year
	(3)Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act., of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.		Depends on actual needs
	(4)A matter bearing on the personal interest of a director.		Depends on actual needs
	(5)A material asset or derivatives transaction.		Depends on actual needs
	(6)A material monetary loan, endorsement, or provision of guarantee.		Depends on actual needs
	(7)The offering, issuance, or private placement of any equity-type securities.		Depends on actual needs
	(8)The hiring or dismissal of an attesting CPA, or the compensation given thereto.		Once per year
	(9)The appointment or discharge of a financial, accounting, or internal auditing officer.		Personnel change
	(10)Annual and semi-annual financial reports.		Once per quarter
	(11)Supervising risk management issues		At least once per year
	(12)Any other material matter so required by the company or the Competent Authority.	Depends on the situation	
2.	Independent Directors with internal audit supervisors	Once per quarter	Communicate with the audit supervisor on the following matters: the annual audit plan, the implementation of the audit plan for the previous year, internal control deficiencies and the improvement of anomalies, the audit report and the follow-up report, etc.
	Independent Directors with CPA	At least once per year	We communicate with our CPAs in writing or face-to-face about the following topics: Fair presentation of the financial statements, annual financial statement audit plan, individual entity of group audit, and Key Audit Matters.

9. Internal Control System

(1) Statement of Internal Control System

Micro Star International Co., Ltd.
Statement of Internal Control System

March. 14, 2023

Based on the findings of self-assessment, the company states the following with regard to its internal control system in 2022:

1. The company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency, and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of the company contains self-monitoring mechanism and the company takes corrective actions whenever a deficiency is identified.
3. The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (A) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the company believes that, as of December 31, 2022, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of the company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March. 14, 2023 with neither one of Ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Micro Star International Co., Ltd.

Chairman : HSU,HSIANG

President : Huang,Chin-Ching

(2) If the Company is requested by the SEC to retain CPA'S service for examining internal control system, the Independent Auditor's Report must be disclosed: None

10. The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staffs for violations of internal control system, the major nonconformity, and the corrective action in the most recent year and up to the date of the annual report: None.

11. The Major Resolutions of Shareholders' Meeting and Board Meetings in the most recent year and up to the date of the annual report:

(1) Major Resolutions of Shareholders' Meeting

Meeting date	Abstract of important proposals	Execution situation
2022.06.10	<p>1. Report Item :</p> <p>(1) Business report of 2021.</p> <p>(2) The Audit Committee's Review Report of 2021</p> <p>(3) Report of Employees' Compensation and Directors' Compensation for 2021.</p> <p>(4) The 2021 Earnings Distribution of cash dividends.</p> <p>2. Adoption Items :</p> <p>(1) To adopt 2021 Business Report and Financial Statements.</p> <p>(2) To adopt the proposal for distribution of 2021 profits.</p> <p>3. Discussion Items :</p> <p>(1) Amendment to the "Operational Procedures for Acquisition or Disposal of Assets".</p> <p>4. Extempore motions.</p>	<p>1. The 2022 shareholders' meeting minutes were disclosed on the Market Observation Post System website on June 24, 2022.</p> <p>2. Remunerations for employees and directors were issued on August 19, 2022</p> <p>3. Distribution of 2021 earnings: Shareholders' bonus - dividend in the value of \$10.5 per share; August 23, 2022 was set to be the record date and the dividends were paid on September 16, 2022.</p>

(2) Major Resolutions of Board Meetings

Board of Directors Meeting	Session	Contents proposed	Opinion of independent director			The company's handling of independent director's opinion
			Independent Director			
			Hsu, Jun-Shyan	Liu, Cheng-Yi	Hsu, Kao-Shan	
2022.01.21	2022/1	<p>1. Report Items:</p> <p>(1) Derivative financial transactions report.</p> <p>(2) Self-evaluation by the board members of themselves (or peers)</p> <p>2. Adoption and Discussion Items :</p> <p>(1) Approved Subsidiary engaged in derivatives transactions</p> <p>(2) Approved Salary Compensation Committee's proposal</p> <p>(3) Approved the Business Plan of 2022.</p> <p>(4) Approved MSI's Modern Slavery Act Transparency Statement.</p>	None	None	None	None
2022.03.21	2022/2	<p>1. Report Items :</p> <p>(1) Internal Audit reports</p> <p>(2) Derivative financial transactions report.</p> <p>2. Adoption and Discussion Items :</p> <p>(1) Approved the 2021 Financial Statement.</p> <p>(2) Approved the Statement on Internal Control System of 2021.</p> <p>(3) Approved amendments to "Internal Control System", "Implementation Rules for Internal Auditing".</p> <p>(4) Amendment to the "Operational Procedures for Acquisition or Disposal of Assets"</p> <p>(5) Approved Salary Compensation Committee's proposal</p> <p>(6) 2021 Earnings Distribution and cash dividends</p>	None	None	None	None

		<p>plan.</p> <p>(7)Approved matters related to the convening of the 2022 shareholders' meeting.</p> <p>(8)Approved matters related to the shareholders' general meeting acceptance of shareholders' proposals.</p> <p>(9)Approved current Bank credit line and incremental credit line application.</p>				
2022.05.06	2022/3	<p>1.Report Items:</p> <p>(1)Internal Audit reports</p> <p>(2)Derivative financial transactions report.</p> <p>(3)The Company's Greenhouse Gas verification report is ready</p> <p>2.Adoption and Discussion Items :</p> <p>(1)Approved the Financial Statement. first quarter, 2022.</p> <p>(2)Approved the proposition to determine the base date for the distribution of cash dividend</p> <p>(3)Amendment to the "Code of Ethics","Ethical Management Guidelines","Corporate Governance Guidelines", "Sustainable Development Principles","Responsibilities of Independent Directors" "Self-Evaluation or Peer Evaluation of the Board of Directors"</p>	None	None	None	None
2022.08.11	2022/4	<p>1.Report Items:</p> <p>(1)Internal Audit reports.</p> <p>(2)Derivative financial transactions report.</p> <p>(3)Liability insurance for Directors.</p> <p>2.Adoption and Discussion Items :</p> <p>(1)Approved the Financial Statement. second quarter, 2022.</p> <p>(2)Approved Salary Compensation Committee's proposal.</p> <p>(3)Approved the evaluation of the independence of CPA engagement.</p> <p>(4)Approved " Procedure for Handling Material inside information"</p>	None	None	None	None
2022.10.06	2022/5	<p>1.Report Items:</p> <p>(1)Derivative financial transactions report.</p> <p>2.Adoption and Discussion Items :</p> <p>(1)Approved Salary Compensation Committee's proposal</p>	None	None	None	None
2022.11.11	2022/6	<p>1.Report Items:</p> <p>(1)Internal Audit reports</p> <p>(2)Derivative financial transactions report.</p> <p>(3)Corporate governance report</p> <p>(4)Corporate ethical management report.</p> <p>(5)Report on the enforcement of intellectual property rights.</p> <p>(6)Sustainable Development report.</p> <p>(7)Communication with each stakeholder report.</p> <p>(8)Risk management report.</p> <p>2.Adoption and Discussion Items :</p> <p>(1)Approved the Financial Statement. third quarter, 2022.</p> <p>(2)Approved current Bank credit line and incremental credit line application.</p> <p>(3)Approved amendments to "The Rules of Procedure for Board of Directors Meetings".</p> <p>(4)Approved "The Rules of perform risk management procedures".</p> <p>(5)Approved the 2021 audit plan.</p>	None	None	None	None

		(6)Approved the evaluation of the independence of CPA engagement.				
2023.01.13	2023/1	1.Report Items: (1)Derivative financial transactions report. (2)Self-evaluation by the board members of themselves (or peers) 2.Adoption and Discussion Items : (1)Procedures for the acquisition and disposal of assets by subsidiaries (2)Approved Salary Compensation Committee’s proposal. (3)Approved the Business Plan of 2023.	None	None	None	None
2023.03.14	2023/2	1.Report Items : (1)Internal Audit reports (2)Derivative financial transactions report. (3)Reporting the greenhouse gas check plan for the consolidated subsidiaries. 2.Adoption and Discussion Items : (1)Approved the 2022 Financial Statement. (2)Approved the Statement on Internal Control System of 2022. (3)Passed the evaluation of external auditor’s independence and qualification. (4)Approved Salary Compensation Committee’s proposal (5)2022 Earnings Distribution and cash dividends plan. (6)Approved matters related to the convening of the 2023 shareholders’ meeting. (7)Approved matters related to the shareholders’ general meeting acceptance of shareholders’ proposals. (8)Approved current Bank credit line and incremental credit line application.	None	None	None	None
2023.05.11	2023/3	1.Report Items: (1)Internal Audit reports (2)Derivative financial transactions report. (3)Reporting the progress of greenhouse gas check for the consolidated subsidiaries. 2.Adoption and Discussion Items : (1)Approved the Financial Statement. first quarter, 2023.	None	None	None	None

12.Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in most recent year and up to date of the annual report: None.

13.In the most recent year and as of the print and publication date of the annual report, is there any resignation or removal of the company’s chairman, president, controller, financial officer, internal audit office, corporate governance officer, or research and development officer:None.

(V)CPAs Fees

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPAs’ Audit	Auditing Fees	Non-Auditing Fees	Amount	Remarks
PricewaterhouseCoopers, Taiwan	Liang, Hua-Ling	2022	3,684	1,132	4,816	Transfer pricing study consultant fee and tax compliance services
	Lai, Chung-Hsi					

(VI)Change of CPA’s Information:None.

(VII)MSI’s chairman, president, and managers in charge of its finance and accounting operations did not hold any positions within MSI’s independent audit firm or its affiliates in the most recent year.

(VIII) Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders of 10% shareholding or more

1.Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: shares

Title	Name	2022		2023/1/1~2023/04/17)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman (Note1)	Hsu,Hsiang	(5,100,000)	0	0	0
Vice Chairman & President	Huang,Chin-Ching	0	0	0	0
Director & Senior Vice President of Management Committee	Lin,Wen-Tung	0	0	0	0
Director & Senior Vice President of Management Committee	Yu, Hsien-Neng	0	0	0	0
Director & Executive Vice President & NB BU GM	Kuo,Hsu-Kuang	20,000	0	0	0
Director & Executive Vice President & GNP BU GM	Liao,Chun-Keng	0	0	0	0
Director & Executive Vice President & CND BU GM	Hung,Yu-Sheng	0	0	0	0
Director & Vice President of Corp. Supply Chain	Chen,Te-Ling	0	0	0	0
Independent Director	Hsu,Jun-Shyan	0	0	0	0
Independent Director	Liu ,Cheng-Yi	0	0	0	0
Independent Director	Hsu,Kao-Shan	0	0	0	0
Senior Vice President of Management Committee	Lu,Chi-Long	0	0	0	0
EPS BU GM	Tsai,Rong-Fong	0	0	0	0
ACS BU GM	Huang,Wen-Shan	0	0	0	0
Vice President & CPS BU GM	Wu,Ta-Hsin	0	0	0	0
Vice President of Corp. R&D	Teng,Chi-Hung	0	0	0	0
Vice President of Corp.Manufacture & Quality Assurance	Li,Chao-Ming	0	0	0	0
Vice President of Corp. Sales & Marketing	Chiu,Chih-Keng	0	0	0	0
Vice President of Corp. Sales & Marketing	Tung,Ti-Chun	5,000	0	0	0
Vice President of NB BU R&D Division	Lin,Chin-Kuan	0	0	0	0
Vice President of NB BU R&D Division	Lu,Kuo-Huang	0	0	0	0
Vice President of NB Product Mgt. Division	Peng,Jen-Fang	0	0	0	0
Vice President of NB Operations Mgt. Division	Pan,Tsai-Yu	0	0	0	0
Vice President of NB OEM sales Division	Huang,Wen-Hui	0	0	0	0
Vice President of NB sales Division (Note2)	Chen,Li-Chun	0	0	0	0
Vice President of CND BU	Yeh,Chun-Te	0	0	0	0
Vice President of EPS BU Sales & Marketing Division	Lu,Cheng-Lung	0	0	0	0
Vice President of Corp. Marketing Division	Cheng,Hui-Cheng	0	0	0	0
Vice President of Global Management Center	Tsai,Wei-Hsin	0	0	0	0
Vice President of Finance Center	Hung,Pao-Yu	0	0	0	0
Assistant Vice President of Internal Auditing Office	Liu,Chu-Hao	0	0	0	0

Note1 : Endowment.

Note2: April 1,2023 Newly appointed.

2.Information of Shares Transferred:

Unit: Share

Name	The reason	Date	Trading counterparties	Relation	Shares	Price
Hsu,Hsiang	endowment	2022.12.14	Hsu,Fen-Lan	Spouse	5,100,000	Not Applicable

3.Information of Equity Pledged: None.

(IX) Relationship among the Top Ten Shareholders

As of APR 17, 2023 Unit : Share ; %

Name	Shareholding		Spouse and Minor		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relations	
Hsu, Hsiang	46,883,151	5.55%	18,508,517	2.19%	9,376,328	1.11%	Hsu, Fen-Lan	Spouse	
Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	43,734,000	5.18%	-	-	-	-	-	-	
Yuanta/P-shares Taiwan Dividend Plus ETF	29,711,730	3.52%	-	-	-	-	-	-	
Lin, Wen-Tung	25,672,499	3.04%	62,895	0.01%	-	-	-	-	
Nanshan Life Insurance Co., Ltd.	24,832,000	2.94%	-	-	-	-	-	-	
Nanshan Life Insurance Co., Ltd. Representative : CHEN, TANG	-	-	-	-	-	-	-	-	
Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	22,041,000	2.61%	-	-	-	-	-	-	
Huang, Chin-Ching	20,937,377	2.48%	2,148,564	0.25%	7,521,761	0.89%	-	-	
Lu, Chi-Lung	18,650,835	2.21%	325,648	0.04%	-	-	-	-	
Hsu, Fen-Lan	18,508,517	2.19%	46,883,151	5.55%	-	-	Hsu, Hsiang	Spouse	
Yu, Hsien-Neng	17,892,824	2.12%	184,922	0.02%	-	-	-	-	

(X)Ownership of Shares in Affiliated Enterprises :

As of Dec. 31, 2022 Unit : Share ; %

Long-Term Investment (Note)	Ownership by MSI		Ownership by Directors, Management or Direct/Indirect affiliates		Total	
	Shares	%	Shares	%	Shares	%
MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD.	0	0%	47,465,071	100%	47,465,071	100%
MSI COMPUTER CORP.	575,458	100%	0	0%	575,458	100%
MYSTAR COMPUTER B.V.	0	0%	0	100%	0	100%
MSI COMPUTER (AUSTRALIA) PTY. LTD.	221,836	100%	0	0%	221,836	100%
MICRO-STAR NETHERLANDS HOLDING B.V.	424,000	100%	0	0%	424,000	100%
MSI COMPUTER JAPAN CO., LTD.	1,400	100%	0	0%	1,400	100%
MSI COMPUTER SARL	0	0%	0	100%	0	100%
MSI COMPUTER (SHENZHEN) CO., LTD.	0	0%	0	100%	0	100%
MSI COMPUTER (CAYMAN) CO., LTD.	50,000	100%	0	0%	50,000	100%
MSI COMPUTER (UK) LTD.	0	0%	0	100%	0	100%
MSI ELECTRONICS (KUNGSHAN) CO., LTD.	0	0%	0	100%	0	100%
MSI COMPUTER EUROPE B.V.	0	0%	0	100%	0	100%
MICRO ELECTRONICS HOLDING CO., LTD.	0	0%	33,315,472	100%	33,315,47	100%
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	30,204,118	100%	0	0%	30,204,11	100%
MSI KOREA CO., LTD.	0	0%	80,000	100%	80,000	100%
SHENZHEN MEGA INFORMATION CO., LTD.	0	0%	0	100%	0	100%
MSI POLSKA SP. Z O.O.	0	0%	0	100%	0	100%
MEGA TECHNOLOGY HOLDING CO., LTD.	0	0%	3,050,000	100%	3,050,000	100%
MEGA COMPUTER CO., LTD.	0	0%	1	100%	1	100%
LLC“ MSI COMPUTER”	0	0%	0	100%	0	100%
MSI COMPUTER TECHNOLOGIES LIMITED.	0	0%	0	100%	0	100%
MSI ITALY S.R.L.	0	0%	0	100%	0	100%
MHK INTERNATIONAL CO., LTD.	0	0%	1	100%	1	100%
MSI (SHANGHAI)CO., LTD.	0	0%	0	100%	0	100%
RAIDEALS INC.	0	0%	0	100%	0	100%
MSI IBERIA S.L.	0	0%	0	100%	0	100%
MICRO-STAR CANADA LTD.	100,000	100%	0	0%	100,000	100%

Note: Long-term investment accounted for using equity method.

IV. Capital Overview

(I) Capital and Shares 1. Capital and Shares

Unit:1,000 Shares ; NT\$ thousands

Month /Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Sources of Capital	Capital Increased by Assets Other than Cash	Other
		Shares	Amount (NT\$1,000)	Shares	Amount (NT\$1,000)			
1986.08	—	500	5,000	500	5,000	Incorporation	None	—
1990.06	10	3,000	30,000	3,000	30,000	Issuance of Shares for cash 25,000	None	—
1991.08	10	6,000	60,000	6,000	60,000	Issuance of Shares for cash 30,000	None	—
1994.05	10	10,000	100,000	10,000	100,000	Issuance of Shares for cash 40,000	None	—
1995.07	10	18,000	180,000	18,000	180,000	Issuance of Shares for cash 80,000	None	—
1996.10	16	60,000	600,000	40,750	407,500	Issuance of Shares for cash 137,500 and Capitalization of retained earnings 90,000	None	JUL 10,1996 Taiwan-Finance-Securities-I-NO.41320
1997.06	30	100,000	1,000,000	70,800	708,000	Issuance of Shares for cash 48,280 and Capitalization of retained earnings 244,500 and Capitalization of employees' bonuses 7,720	None	APR 28,1997 Taiwan-Finance-Securities-I- No.32301
1998.04	—	126,000	1,260,000	109,200	1,092,000	Capitalization of retained earnings 283,200, Capitalization of reserves 70,800 and Capitalization of employees' bonuses 30,000	None	MAR 9, 1998 Taiwan-Finance-Securities-I- No.23751
1999.03	108	126,000	1,260,000	136,800	1,368,000	Issuance of Shares for cash 276,000	None	DEC 17,1998 Taiwan-Finance-Securities-I- No.98986
1999.07	—	320,000	3,200,000	196,376	1,963,760	Capitalization of retained earnings 547,200 and Capitalization of employees' bonuses 48,560	None	JUN 10,1999 Taiwan-Finance-Securities-I- No. 54332
2000.07	—	320,000	3,200,000	291,000	2,910,000	Capitalization of retained earnings 883,692 and Capitalization of employees' bonuses 62,548	None	MAY 26,2000 Taiwan-Finance-Securities-I- No.45969
2001.01	—	320,000	3,200,000	291,914	2,919,136	Conversion of bonds 9,136	None	—
2001.05	—	680,000	6,800,000	376,582	3,765,818	Capitalization of retained earnings 729,784 and Capitalization of employees' bonuses 116,898	None	MAY 23,2001 Taiwan-Finance-Securities-I- No.132149
2002.01	—	680,000	6,800,000	386,027	3,860,270	Conversion of bonds 94,451	None	—
2002.03	—	680,000	6,800,000	395,283	3,952,834	Conversion of bonds 92,564	None	—
2002.07	—	680,000	6,800,000	555,632	5,556,326	Capitalization of retained earnings 1,383,492 and Capitalization of employees' bonuses 220,000	None	MAY 28,2002 Taiwan-Finance-Securities-I- No.129029
2003.09	—	960,000	9,600,000	660,477	6,604,775	Capitalization of retained earnings 833,448 and Capitalization of employees' bonuses 215,000	None	JUL 17,2003 Taiwan-Finance-Securities-I- No.0920132258
2003.11	—	960,000	9,600,000	670,395	6,703,956	Conversion of bonds 99,181	None	—
2004.09	—	960,000	9,600,000	756,435	7,564,351	Capitalization of retained earnings 670,395 and Capitalization of employees' bonuses 190,000	None	JUN 28 ,2004 Taiwan-Finance-Securities-I- No.0930128388
2005.07	—	1,020,000	10,200,000	782,128	7,821,282	Capitalization of retained earnings 226,931 and Capitalization of employees' bonuses 30,000	None	JUL 11,2005 Taiwan-Finance-Securities-I- No.0940127923
2006.07	—	1,500,000	15,000,000	880,562	8,805,624	Capitalization of retained earnings 860,341 and Capitalization of employees' bonuses 124,000	None	JUL 21,2006 Financial-Supervisory-Securities-I No.0950132069
2007.07	—	1,500,000	15,000,000	882,447	8,824,474	Employee stock option exercise 18,850	None	—

2007.09	—	1,500,000	15,000,000	947,781	9,477,811	Capitalization of retained earnings 528,337 and Capitalization of employees' bonuses 125,000	None	JUL 9,2007 Financial-Supervisory-Securities-I No.0960035165
2007.10	—	1,500,000	15,000,000	950,277	9,502,770	Employee stock option exercise 24,960	None	—
2008.02	—	1,500,000	15,000,000	950,754	9,507,540	Employee stock option exercise 4,770	None	—
2008.05	—	1,500,000	15,000,000	950,937	9,509,372	Employee stock option exercise 1,831	None	—
2008.08	—	1,500,000	15,000,000	951,304	9,513,040	Employee stock option exercise 3,669	None	—
2008.09	—	1,500,000	15,000,000	951,459	9,514,590	Employee stock option exercise 1,550	None	—
2008.10	—	1,500,000	15,000,000	1,007,696	10,076,965	Capitalization of retained earnings 380,374 and Capitalization of employees' bonuses 182,000	None	JUL 1,2008 Financial-Supervisory-Securities-I No.0970032658
2008.10	—	1,500,000	15,000,000	1,008,028	10,080,285	Employee stock option exercise 3,320	None	—
2009.02	—	1,500,000	15,000,000	1,008,074	10,080,745	Employee stock option exercise 460	None	—
2009.04	—	1,500,000	15,000,000	1,008,246	10,082,455	Employee stock option exercise 1,710	None	—
2009.07	—	1,500,000	15,000,000	1,008,742	10,087,416	Employee stock option exercise 4,961	None	—
2009.09	—	1,500,000	15,000,000	1,067,626	10,676,262	Capitalization of retained earnings 504,123 and Capitalization of employees' bonuses 79,533 Employee stock option exercise 5,190	None	JUL 1,2009 Financial-Supervisory-Securities-I No. 0980032766
2009.10	—	1,500,000	15,000,000	1,068,132	10,681,322	Employee stock option exercise 5,060	None	—
2010.01	—	1,500,000	15,000,000	1,068,667	10,686,672	Employee stock option exercise 5,350	None	—
2010.05	—	1,500,000	15,000,000	1,069,191	10,691,912	Employee stock option exercise 5,240	None	—
2010.07	—	1,500,000	15,000,000	1,069,249	10,692,492	Employee stock option exercise 580	None	—
2010.11	—	1,500,000	15,000,000	1,069,347	10,693,472	Employee stock option exercise 980	None	—
2011.01	—	1,500,000	15,000,000	1,070,225	10,702,252	Employee stock option exercise 8,780	None	—
2011.04	—	1,500,000	15,000,000	1,071,223	10,712,232	Employee stock option exercise 9,980	None	—
2011.09	—	1,500,000	15,000,000	996,157	9,961,572	Treasury stock cancellation 750,660	None	JUL 4,2011 Financial-Supervisory-Securities-I No.1000031682 AUG 26,2011 Financial-Supervisory-Securities-I No. 1000040409
2011.11	—	1,500,000	15,000,000	964,157	9,641,572	Treasury stock cancellation 320,000	None	OCT 28,2011 Financial-Supervisory-Securities-I No.1000052520
2012.02	—	1,500,000	15,000,000	924,856	9,248,562	Treasury stock cancellation 393,010	None	FEB 13,2012 Financial-Supervisory-Securities-I No. 1010004861
2012.04	—	1,500,000	15,000,000	884,856	8,848,562	Treasury stock cancellation 400,000	None	APR 18,2012 Financial-Supervisory-Securities-I No. 1010016081
2012.07	—	1,500,000	15,000,000	844,856	8,448,562	Treasury stock cancellation 400,000	None	JUL 18,2012 Financial-Supervisory-Securities-I No.1010033145

(1)Type of shares

As of APR 17,2023 Unit : Shares

Type of shares	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Common stock	844,856,199	655,143,801	1,500,000,000	Authorized capital stock, of which, 150,000 thousand shares are reserved for exercising Conversion of bonds and 80,000 thousand shares are reserved for employee stock options.

Note : Listed stock.

(2)Information for Shelf Registration: None.

2.Status of Shareholders

As of APR 17,2023 Unit : Shares

QTY	Status of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders		0	39	243	44,385	883	45,550
Shareholding (shares)		0	146,293,334	112,043,793	317,623,491	268,895,581	844,856,199
%		0.00%	17.32%	13.26%	37.59%	31.83%	100.00%

3.Shareholding Distribution Status

(1)Common Shares

As of APR 17,2023 Unit : Shares

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	%
1~ 999	22,527	3,547,471	0.42%
1,000~ 5,000	18,789	35,431,221	4.19%
5,001~ 10,000	2,043	15,300,387	1.81%
10,001~ 15,000	626	7,849,651	0.93%
15,001~ 20,000	304	5,531,029	0.65%
20,001~ 30,000	294	7,392,717	0.88%
30,001~ 40,000	161	5,693,207	0.67%
40,001~ 50,000	98	4,468,890	0.53%
50,001~ 100,000	222	16,168,953	1.91%
100,001~ 200,000	159	22,277,820	2.64%
200,001~ 400,000	111	32,084,336	3.80%
400,001~ 600,000	61	30,655,020	3.63%
600,001~ 800,000	20	13,261,621	1.57%
800,001~1,000,000	25	23,320,173	2.76%
1,000,001 or over	110	621,873,703	73.61%
Total	45,550	844,856,199	100.00%

(2)Preferred share : The company did not issue any preferred share.

4. List of Major Shareholders

As of APR 12, 2023 Unit : Shares

Holder's Name	Share holding	Shares	%
	Hsu, Hsiang	46,883,151	5.55%
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	43,734,000	5.18%
	Yuanta/P-shares Taiwan Dividend Plus ETF	29,711,730	3.52%
	Lin, Wen-Tung	25,672,499	3.04%
	Nanshan Life Insurance Co., Ltd.	24,832,000	2.94%
	Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	22,041,000	2.61%
	Huang, Chin-Ching	20,937,377	2.48%
	Lu, Chi-Lung	18,650,835	2.21%
	Hsu, Fen-Lan	18,508,517	2.19%
	Yu, Hsien-Neng	17,892,824	2.12%

5. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Shares; NT\$

Items			Year	2022	2021	As of April 30, 2023
Market price per Share	Highest Market Price			163.00	203.00	148.00
	Lowest Market Price			98.30	117.00	119.00
	Average Market Price			124.06	155.78	137.55
Net worth per share	Before Distribution(Note2)			57.29	55.73	53.65
	After Distribution(Note1)			50.69	45.23	-
Earnings per share	Weighted average shares		Basic(Note2)	844,856,199	844,856,199	844,856,199
			Diluted(Note2)	854,967,448	855,580,498	852,712,781
	Earnings per share	Before adjustment	Basic(Note2)	11.79	20.03	2.92
			Diluted(Note2)	11.65	19.78	2.89
		After adjustment	Basic(Note1)	11.79	20.03	-
			Diluted(Note1)	11.65	19.78	-
Dividends per share	Cash dividends	Dividends from Retained earnings(Note1)	NT\$6.6/Share	NT\$10.5/Share	-	
		Dividends from Capital Surplus(Note1)	-	-	-	
	Stock dividends	Dividends from Retained earnings	-	-	-	
		Dividends from Capital Surplus	-	-	-	
	Accumulated undistributed dividends			-	-	-
Analysis of return on investment	Price/Earning Ratio	Basic	10.72	7.64	-	
		Diluted	10.84	7.74	-	
	Price/Dividend Ratio(Note1)			19.14	14.57	-
	Cash dividends yield rate(Note1)			5.22%	6.86%	-

Note1: The resolution was reached by the Board of Directors on March 14, 2023.

Note2: 2023Q1 financial report was reviewed by CPA.

6.Dividend policy of the company and its implementation

(1)Dividend Policy

The Company is in a highly changeable industry. Many high-end lucrative products are in growth. The distribution of dividends shall be made taking into consideration the needs of Company future development and operation, and the interests of shareholders. If the annual results shall have profit, such profits should first pay all taxes and reimburse accumulative loss, then take 10% legal reserve and special reserve according to the Company Act. After previous deductions and reserves, the Company can take 10% to 90% of the distributable earnings plus undistributed retained earnings as bonus. The Board of Directors shall propose profit distribution plan to be approved by the shareholders' meeting.

Shareholders' bonus shall be distributed in accordance with the percentage of the shares owned among the total outstanding shares of the Company. Shareholders' bonus will be distributed through the forms of both cash and stock dividends. In such distribution combination, cash dividends shall take no less than 30% of the total distributed bonus.

In the event there are deductions under the account of shareholders' equity which cannot be allocated from after-tax profits of the current fiscal year, whether accumulated from previous year or occurred in the current year, the Company shall allocate sufficient special reserves from the beginning aggregate balance of undistributed earnings and subtract such shareholders' equity deductions before profits distribution.

(2)Proposed Distribution of Dividend :

The appropriation of 2022 earnings had been resolved at the Board of Directors on March 14, 2023 ,cash dividend of NT\$6.6 per share and will be reported at the annual stockholders' meeting.

(3)Any expected major changes in the dividend policy: None

7.Impact to the company's business performance and earnings per share (EPS) for free shares allotment proposed by this shareholders' meeting: Not applicable.

8.Compensation for employees and directors

(1)Quantity or scope of compensation for employees, directors as prescribed by the articles of association (Article 19-1)

The pre-tax income of the current fiscal year shall first offset the accumulated deficits. If the balance is positive, then the Company shall allocate the remuneration to be distributed to employees and directors in accordance with the following ratio.

A. Employee remuneration in the percentage of 6% to 10%. Individuals eligible for employee remuneration include the Company's employees and the employees of the Company's subsidiaries meeting certain requirements. Such requirements are to be set by the Board of Directors.

B. Remuneration to be distributed to directors shall not exceed 1%.

The decision of the percentage of remuneration to be distributed to employees, directors set forth in the preceding Paragraph, the forms of distribution (cash or stock dividends) and the amounts and shares thereof shall be made through the special resolutions of the Board of Directors and reported to the shareholders' meeting.

(2) Accounting methods for the differences between the remunerations' provision amount and actual distribution amount:

The remunerations provision for employees, directors in 2022 is according to contemporary profits and with reference to the distribution ratio from the year before and the percentage specified in the Articles of Incorporation. In case of any difference between the actual distributed value decided by the Board of Directors, it will be handled as changes in accounting estimates.

(3) Situation of the Board of Directors' passing remuneration distribution :

- A. The amount of employee, director remuneration in cash or stock distribution. If it differs from the estimated amount in the recognized expense year, the balance, reason, and handling situation shall be disclosed:

The Board of Directors passed a resolution, determining that the remuneration of employees in 2022 is NTD882,000,000, and the remuneration of directors in 2022 is NTD 74,800,000, which are the same as the recognized expense amount in 2022.

- B. The proportion of employee remuneration amount in stock distribution based on the net profit after tax from stand alone financial statements of this period and the total employee remuneration: None

(4) For the actual distribution situation of employees, directors and supervisors remuneration last year (including distributed shares, amount, and stock price), if it differs from the recognized employees, directors and supervisors remuneration, the balance, reason, and handling situation shall be specified:

In 2020, the relevant information on the employees, directors and supervisors remuneration is summarized below:

Employees bonus distribution: NTD1,540,000,000; directors remuneration distribution: NTD 107,800,000. It is the same as the recognized expense amount in 2021.

9. Repurchase by the company of its own shares: None.

(II) Corporate bond: None.

(III) Preferred shares: None.

(IV) Overseas depositary receipt: None.

(V) Employee stock warrant: None.

(VI) Restricted Employee Shares: None.

(VII) The section on issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters:

1. If, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company : None.
2. Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company : None.

(VIII) The status of implementation of capital allocation plans :

1. A description of the plan

Where various issuance or private placement of securities have yet to be completed, or have been completed in the most recent 3 years but where the benefits of the plan have yet to be realized :

All securities of the Company have been issued and no unrealized benefits.

2. Status of implementation: Not Applicable

V. Operation summary

(I)Business content

1.Scope of business

(1)The purpose for which the Company is formed shall be as follows:

1. Design of various computer hardware and software and manufacture, sale and purchase of computer products, parts and components;
2. Manufacture and sale of electronic components and parts;
3. Import-export trading business in relation of the foregoing businesses;
4. Agency business for quotation, bid and distribution of related products;
5. CC01030 Manufacturing business of electric appliances;
6. CC01060 Manufacturing business of wired communications equipments;
7. CC01070 Manufacturing business of wireless communications equipments;
8. CE01030 Manufacturing business of optical devices;
9. CH01040 Manufacturing business of toys;
10. F109040 Wholesale business of toys and entertainment products;
11. F113020 Wholesale business of electric appliances;
12. F113050 Wholesale business of office machines and equipments;
13. F113070 Wholesale business of telecommunications equipments and materials;
14. F209030 Retail business of toys and entertainment products;
15. F213030 Retail business of office machines and equipments;
16. F213060 Retail business of telecommunications equipments and materials;
17. F213010 Retail business of electric appliances;
18. CC01101 Manufacturing business of regulated RF telecommunications equipments and materials;
19. F401021 Import business of regulated RF telecommunications equipments and materials;
20. CF01011 Manufacturing business of medical equipments;
21. F108031 Wholesale business of medical equipments;
22. F208031 Retail business of medical equipments;
23. CE01010 Manufacturing business of general equipments; and
24. ZZ99999 All other businesses not prohibited or restricted by laws and regulations except businesses requiring special permits.

(2)Proportion of each business

2022

Unit: NT\$ thousands

Major product	Sales revenue	%
Computer and peripherals	180,411,242	100%

(3) Current products and services of the Company

- A. Motherboard: Intel® and AMD® platform Gaming and Business Professional Motherboards.
- B. Professional Graphics Card: NVIDIA® and AMD® platform Graphics Card.
Professional Gaming Gears: Network equipment, SSD, Keyboard, Mouse, Headset, Microphone and Control Devices.
- C. Server: Server system, GPGPU system, Workstation, Storage system, Edge computing system, Network application system, Intrusion prevention system (IPS) & Unified threat management (UTM), Telecom next generation firewall (NGFW), Facial recognition system, POS, and IoT Gateway.
- D. Desktop computer: Esports Gaming Desktops, Mini Gaming Desktops, Crossover Gaming Desktops, Creator Desktop, Business & Productivity compact Desktop, All-in-One PC.
- E. Telematics and Automotive Electronics: Rugged in-vehicle telematics box and display system, cloud-based fleet management solutions, public transportation fleet, and advertising management solutions, and bus interactive entertainment system solutions.
- F. Laptop: Flagship in high-performance Gaming Notebooks, Ultra-thin Gaming Notebooks, high-performance multimedia and entry-level Gaming Notebooks, Creators Notebook, Mobile Workstation Notebooks, Thin and Light business Mobile Notebooks, Notebook computer related peripheral hardware (Such as stylus pen or docking station).
- G. Monitors: Curved Gaming Monitors, Esports Gaming Monitors, Console Gaming Monitors, Portable Monitors, Business & Productivity Monitors.
- H. Others (Case, Liquid Cooler, Power Supply and Gaming Chair): Gaming Cases, Liquid Cooler, Power Supply and Gaming Chair.
- I. AMR (Autonomous Mobile Robot)
- J. Smart Electric Vehicle Charger

(4) New products (services) planned to be developed

A. Motherboard:

- Development of the Intel® 700 Series motherboards with multi-core processors for better performance.
- Development of the AMD® AM5 Series motherboard with multi-core processors for better performance.
- Development of add-on cards and accessory cards for the latest technology and new standards.

B. Professional Graphics Cards:

- Development of more powerful and high-efficiency graphics cards.
- Development of graphics cards using advanced technology and components.
- Continue to develop cooling modules and fans with better cooling performance and low noise.
- Development of graphics card with optimized RGB lighting functions and effects.
- Continuous improvement and integration of graphics card S/W applications.
- Development of graphics card with “Real-Time Ray Tracing” and “AI deep learning” technologies.
- Development of Creator Series graphics card solution.

Professional Gaming Gears:

- Development of SSD with high performance and better stability.
- Catering to the users’ needs, we plan to develop professional Gaming and Creator Series products such as: “Keyboard”, “Mouse”, “Headset” and “Wireless Devices” with innovative functions and effects.
- Development of Professional Gaming peripherals, like “Gaming Control Devices”, “Gaming Mouse Pad”, etc.
- Development of Professional Creator Series peripherals, like “Wireless Bluetooth thin and light Keyboard”, “Silent Wireless Mouse”, “Wireless Earbuds”, “Professional streaming Microphone”, etc.
- Development of Professional Network equipment and peripherals, such as “E-sports router” and “E-sports wireless network card”.

C. Server:

- Continue to develop the new generation Server and GPGPU system with Intel® and AMD® platform.
- Continue to develop the next generation firewall with AMD® platform.
- Development of the new generation Network application system, Workstation and Embedded System with Intel® and AMD® platform.
- Development of the Hybrid server system and Edge computing system with Intel® and AMD® platform.

D. Desktop computer:

- Continue to develop High-end gaming desktop computer series (Aegis series)
- Continue to develop Mini gaming desktop computer series (Trident series)
- Continue to develop Esports gaming desktop computer series (Infinite series)
- Continue to develop integration AI and HMI (Human Machine Interface) technology gaming desktop product.
- Continue to develop MSI's exclusive cooling technology – Silent Strom Cooling
- Continue to develop Content Creation desktop computer series (Creator series)
- Continue to develop Business & Productivity desktop computer series (PRO DP series)
- Continue to develop Business & Productivity Mini desktop computer series (Cubi series)
- Continue to develop All-in-One PC series (Modern AM & PRO AP series)
- Continue to develop MSI's exclusive software: MSI Center
- Continue to develop MSI's exclusive software, MSI Cloud Center, which can back up files from smartphone or tablet (Android & iOS).

E. Telematics and Automotive Electronics:

- Next generation In-vehicle telematics gateway system: Targeting heavy logistics and construction trucks. Support multi-communication protocols, multi-vehicle interface and LTE/5G communication functions with weather-resistant and shock-resistant rugged design.
- Next generation vehicle-mounted intelligent display system: Develop the next-generation vehicle-mounted intelligent display system based on latest SOC with higher AI computing power, and enable artificial intelligence functions for agricultural machine and heavy-duty construction vehicles, such as autonomous vehicle control and blind spot even warning, and at the same time still maintain high-brightness, weather-resistant, and shock-resistant for rugged environment requirements.
- Next generation rugged tablet with AI capability: Continue to develop the rugged smart tablet based on the latest generation of SOC with enhanced NPU computing power. Enable the rugged tablet computer with drop resistance, weather resistance with AI computing capability.
- Next-generation wireless intelligent video on demand system for long haul bus and trains: use AI and wireless streaming technology to enable the next-generation intelligent wireless video on demand entertainment system for long haul buses and trains. Enable streaming contents pushing based on AI passenger detection and support contactless gesture control and operation statistics functions.

F. Laptop:

- The first in the market to use latest Intel® 13th gen processor and NVIDIA® RTX™ 40 series graphics cards for all gaming laptops.
- Newly developed "Thin and Light Business Laptop", combining security encryption technology and many other business functions.
- Continue to promote slim e-sports notebooks. While body gets smaller and lighter, it can still have both high performance and ultra-high heat dissipation capacity which can bring users the best user experience and mobility.
- Collect gaming habits of e-sports players and incorporate them into development process to optimize the gaming keyboard. Also, invest on developing innovative input interface to give gamers more immersive experience.
- Continue to optimize the exclusive development of the Mystic Light lighting effect, and the use of Gaming Mode to combine the different scenario which the lighting and keyboard fully integrates and interact to further enhance the gaming immersion of players.
- Continue to optimize software for gaming laptops. In addition, to the existing Gaming Mode, we also invest in the development of OSD interface software and gamer-oriented app to help players continue to have a seamless gaming experience. At the same time, the automatic screen recording function is developed to increase the convenience and building instant ability to share to the community.
- Combined with AI artificial intelligence technology, we developed software to boost efficiency, allowing consumers the best seamless experience. At the same time, through AI environment detection mechanism, the intelligent fan cooling technology is created to deepen the interactive experience between the user's environment and notebook.
- Use different manufacturing techniques and materials to provide different appearance and experience for e-sports or creator notebooks, enriching the color experience of the surface of the product as much as possible, to provide a variety of choices for different types of users.

- Develop a thermal module exclusively for creators' laptops to maximize the performance of video editing software.
- Committed to improvement of the panel specifications, in order to meet the creators' high expectations in terms of resolution, color accuracy and color gamut.

G. Monitors:

- Continuing the development of the most curved and fast 1000R Rapid VA gaming monitors.
- Continuing the development of the Gaming monitors that adhere to the standard of Esports tournaments.
- Continuing the development of the 4K/144Hz high-end gaming monitor.
- Continuing the development of the world's first 49" super ultra-wide QD-OLED gaming monitors.
- Continuing the development of the Gaming Intelligence APP software that highly-synced with high-end gaming PCs.
- Continuing the development of Gaming monitors that can show game-related status and information on the monitor panel.
- Continuing the development of the cutting-edge QD-OLED gaming monitors product line.
- Continuing the development of MSI KVM switch function on gaming monitors.
- Continuing the development of MSI patented gaming monitor lighting bar-SpectrumBar application field.
- Applying AI & HMI technology to gaming monitors.
- Innovating monitors that are suitable for Professionals within the Multimedia and Content Creation industry.
- Continuing the development of Professional monitor that features eye-care and ergonomic design.
- Continuing the development of commercial curved monitor for business & productivity segment, provide more eye-care of 100hz refresh rate monitors.
- Continuing the development of curved business & productivity monitor market.
- Continuing the development of IPS curved gaming monitor market.

H. Others (Case, Liquid Cooler and Power Supply):

- Add AI smart functions through MSI Center that can be integrated with MSI products. Starting from user experience, create a new AI gaming experience with three major themes: temperature control, lighting effects, and hardware monitoring.
- Develop a liquid cooler fan AI technology that can automatically detect the temperature and independently adjust the speed of each fan to achieve the best performance and silence.
- Continue to invest in MSI branding elements to provide different user needs in the three product segments of MEG / MPG / MAG. MAG provides high-performance, stable and reliable products. In addition to MAG features, MEG and MPG add focus on AI integration and MSI exclusive functions.
- Develop high wattage power supply units to meet the high-performance needs of future processors and graphics cards.
- Develop mid-tier non-modular power supplies in response to the demand for systems in the commercial market, with stability and easy installation as the main focus. Also launch low-end power supplies to expand the SI market.

I. AMR (Autonomous Mobile Robot):

- AMR Factory Automation related products.
- AMR Logistics and Warehouse Automation related products.

J. Smart EV Charger:

- Electric vehicle charging products and cloud application solutions.
- Green energy applications and products.
- Smart parking management applications and products.

2. Industry Overview

(1) Current Status and Development of the Industry

In 2022, despite the adversities from geopolitical tension, weakened consumption due to inflation and interest rate hikes, and dropped PC shipment due to benefits from the pandemic that are gone quickly, demands for high-performance PCs continued to advance after new higher-performance chips were introduced by upstream semiconductors, and content design and hardware specifications of game supplier are complementary to each other and enhanced at once. We have experienced revenue growth coming from business computers, displays, PC peripherals and AIoT applications.

Current development of business market :

A. Parts and components:

Owing to inflation and supply disturbance brought by pandemic infection and warfare between Russia and Ukraine, demands for PC shrunk abruptly and resulted in piling-up inventory. However, thanks to the promotion in the second half of the year and new product introduction from Intel and NVIDIA, the inventory level receded. Looking forward to 2023, we expect rather reserved demands, despite launches of mid- to high-end chips from Intel, AMD, and NVIDIA, and normalized key components supplies and shipping costs. In the meantime, margins of our key product lines will stabilize due to supports from complementary products, such as our "Powered By MSI," backed by the combo of water cooling and power modules, upgraded motherboard, and display cards.

B. Systematic products:

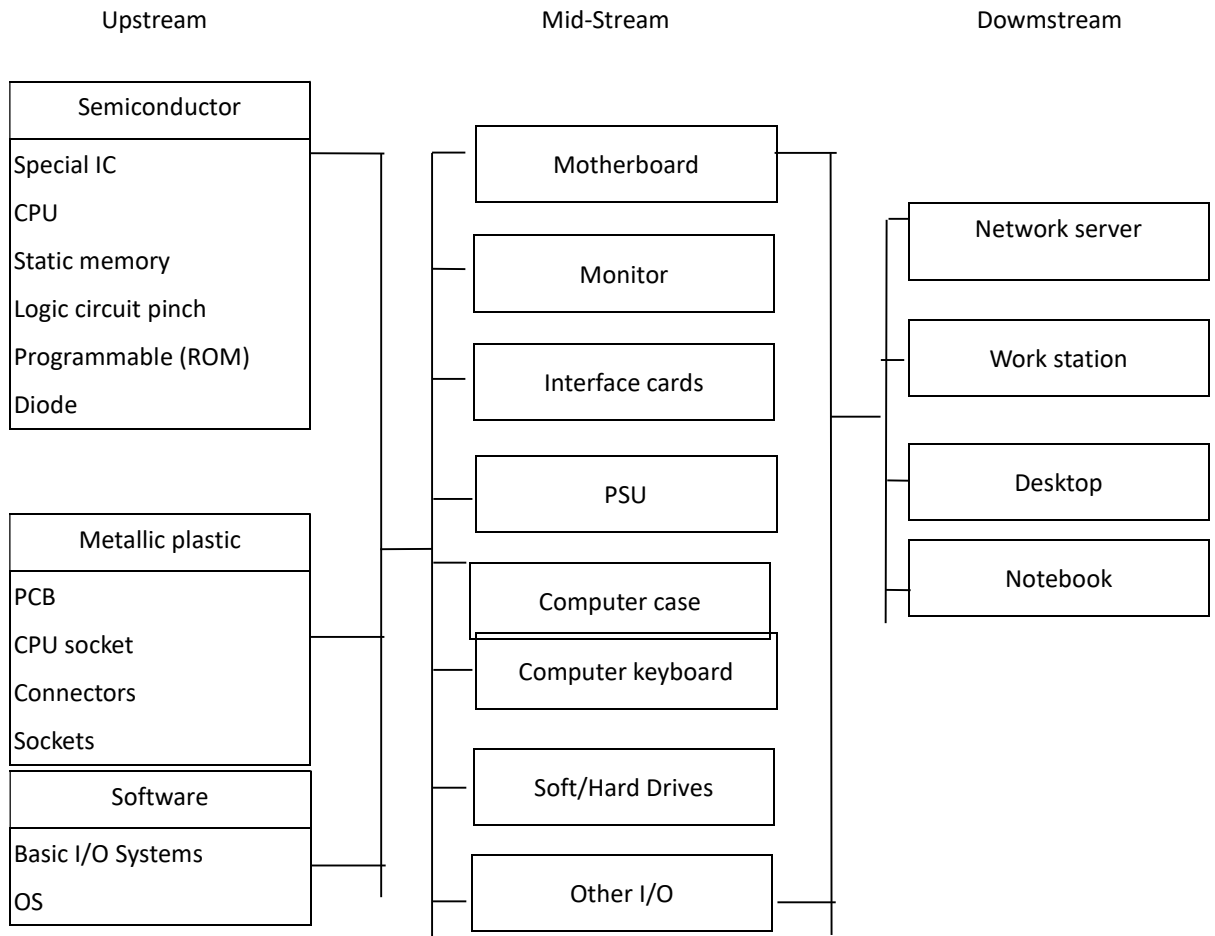
The replacement demands will further be coming from sped-up digitalization among corporates for the new normal after the pandemic, plus the upgrade to Windows 11 since the official launch in 2021. For eSports, we anticipate continued demand growth brought by the return to physical tournaments and new game launches after the pandemic eases, in addition to cross-platform applications for cloud gaming, such as playing phone games on PC.

C. Servers, industrial computers, and automobile electronics:

Industrial computers are a business of small-volume, large-variety, as the products are tailor-made to suit customers of distinct needs from different industries. Therefore, it normally generates superior margins. The average gross margin from global industrial PC makers ranged from 30% to 40%.

According to IDC, global server shipment is expected to advance by 12% in 2022, or 15.17 million units. The estimate growth in 2023 is 2%, or 15.49 million units. According to IEK, the global new car shipments dropped by 3.7% in 2022 due to China's zero-Covid policy, warfare between Russia and Ukraine, disrupted supply chains and global inflation. The demands are expected to return to pre-pandemic levels in 2025. On the other hand, sales of electric vehicles grew by 35.1% in 2022 and could reach 15 million units. Under the themes of AI, 5G and electrification, information systems embedded in vehicles will be the future trend of the industry.

(2)Correlation of the upstream, midstream, and downstream of the industry:



(3) Product development trends :

A. Parts and components:

We expect growth will also come from the ongoing eSports business and rising demands from video/audio publication on live streaming and social media platforms, apart from new product launches from Intel, AMD and NVIDIA in the first half of the year. For the short term, we will raise our brand awareness with strategic partners through content makers. For the long term, we will offer a personalized experience through product developments backed by the expansion of flexible assembly lines, in order to promptly respond to the customized demands from the market.

B. Systematic products:

To continue our leadership in eSports PC, MSI will continue to deliver high-performance NBs and desktops with sound and light effects. The needs for system products that come with stability and efficiency are increasing for the rising hybrid working model after the pandemic. To answer the urgency from digital transformation from corporates, we have also created Summit and Modern series, covering notebooks, desktops and monitor, etc., to fulfill the need of one-stop shopping. Other than diversifying the chip supplies and product mix, we will continue the emphasis in hardware-and-software integrated products to offer differentiated value.

C. Servers, industrial computers, and automobile electronics:

The era of AIoT has arrived, and industrial computers have always been the core operating platform of various industries. In recent years, the industry has continued to face digital transformation, and the importance of industrial computers has increased day by day. Industrial computers are developing toward total solutions from hardware to software and from the front end to the back end. Vertical integration of services and applications requires the capability to develop the firmware and the technicality for vertical integration so that high-performance, integrative, expansive, and highly compatible system platforms may be applied to a variety of sectors. Therefore, individual manufacturers are developing the vertical integration application market and expediting their technicality required for a high level of integration. A flexible operational pattern and cost leadership will be the new wave of challenges.

Cloud computing brings the structural change to the server market. Although the deployment of large data centers can increase the shipment and revenue of server business, the demand of new servers will decrease since the business world utilizes the server applications through virtualization, or receives the services directly from the cloud service providers. ODM model and SI management stand side by side for MSI's server business. The conversion to the new platform Whitley is supported by our strength, the mainstream x86 structure. AMD structure starts to attract more customers, and increase the market share since it has a value per cost higher than Intel. Therefore, we also join the development of the AMD platform, while joining power structure and maintaining minimum shipments. We also deploy the ODM business in the global UTM market to provide comprehensive solutions for information security. In the future, AIoT will gradually complete its ecosystem through the combination of artificial intelligence + 5G + edge computing and other technologies. We have also stepped into the application of GPGPU/Edge Server to advance with the times and strengthen the multiple application fields of the servers.

We have been making deployment in Telematics for many years, and are specialized in offering total customized solutions, covering hardware designs, software development and vehicle fleet management on Cloud. In addition, the knowledge accumulated above is extended to various fields, including boats, business uses and related AIoT applications. Under the trend of going green, we have tapped into charging stations for electric vehicles, which will sell globally through industrial channels.

3. Overview of Technology and Research and Development

Research and development expenses and technologies or products successfully developed in the most recent year and up to the date the annual report was printed

Unit: NT\$thousands

Annual research and development expenditure	Research and development outcome
<p>2022.1.1~ 2022.12.31 \$4,396,924</p> <p>2023.1.1~ 2023.3.31 \$1,040,396</p>	<p>A. Motherboard</p> <ul style="list-style-type: none"> ● Intel® 700 series motherboards support the 13th generation core processors. ● AMD® AM5 series motherboards support the Ryzen™ 7000 series processors. ● Utilizing server-grade PCB, 2oz thickened copper PCB, and optimized circuit to ensure that high-speed signal such as PCIe 5.0 can stably run for a long time. ● Developed CPU Cooler Tuning, a BIOS function made to improve the CPU performance for a non-overclocking platform, which gives the best system thermal solution and achieves higher performance. ● The M-Vision Dashboard adopts a 4.5-inch IPS touch panel and speaker to showcase system status and tuning settings. It supports customized content such as static images or videos. It also has a magnetic design that allows gamers to put it on the side of case easily and use it as a remote controller via a dedicated cable. ● Core Boost is designed to maximize performance for processors with more cores. Adopting optimized circuitry and high-performance components, Core Boost perfectly supports high-end processors. ● The brand-new Memory Boost inherits the famous DDR4 Boost, which not only optimizes compatibility and performance of DDR4 but also for the latest DDR5. ● The patented Screwless M.2 Shield Frozr design allows you to set your M.2 and Shield Frozr without the annoying screws, provides the easiest way for M.2 installation. Moreover, the exclusive magnetic RGB connection simplifies the process of installing the RGB M.2 Heatsink and makes the DIY process easier. ● Direct-touch Cross Heat-pipe(U-Shape) helps heat dissipation of VRM, makes VRM at lower temperature and higher CPU performance. ● Aluminum Backplate cools down MOSFET by making contact with dedicated thermal pads. It also strengthens the motherboard by protecting components and preventing PCB bending. ● The brand new MSI Center integrates all exclusive functions in one app to provide convenience to users. <p>B. Professional Graphics Cards</p> <ul style="list-style-type: none"> ● Developed new graphics card with the MSI exclusive patented “TriFrozr” thermal design. This design is equipped with 3 fans and utilized the latest Torx fan, a huge heatsink and numerous heat pipes to provide maximum thermal efficiency. ● Developed a new generation of water-cooling architecture, combining water-cooling and air-cooling dual-power cooling system to assist high-end graphics card to effectively dissipate heat, achieve better cooling, and provide more stable performance. ● Developed a new generation of graphics card that combines real-time ray tracing, AI artificial intelligence and GPU accelerated hardware shading technology for a new gaming experience ● Developed a total S/W and H/W solution which utilized the latest GPU and visualization software for accelerated operation, to provide stunning images. ● Developed professional graphics cards dedicated for multi-purpose high-end block chain application. ● Developed exclusive square heat pipe, high-efficiency contact surface design with large-diameter superconducting heat pipe and uniform temperature plate to ensure the largest contact surface with GPU, greatly improving heat conduction efficiency. ● MSI exclusive patented “Zero Frozr” energy-saving low-noise technology with temperature monitoring function, which automatically adjusts fan speed based on actual usage, to provide low temperature, silent and highly efficient cooling solution. ● Developed the new generation of MSI exclusive patented "Torx Fan 5.0" technology, another breakthrough in performance. The exclusive drainage fan blade design creates a more concentrated air flow and air pressure, prompting the third-generation TRI FROZR to dissipate heat faster. ● Utilized high quality components: tantalum capacitors (Hi-c CAP), high-performance plug-in inductors (HCI) and solid capacitors (Solid CAP). Solid and reliable materials make MSI synonymous with the highest quality and stability. ● Continued to optimize the MSI exclusive graphics card tuning software "MSI Afterburner", which can

accurately monitor and adjust important parameters such as clock pulse and voltage value.

- Optimized "MSI CENTER" which combines a variety of MSI calibration software and uses an integrated interface. The built-in AI intelligent engine can prioritize the allocation of system resources based on the most commonly used software by users, allowing users to optimize software applications, bringing superior experience and higher work efficiency.
- MSI and BlueStacks® exclusively cooperate to develop MSI APP Player, allowing mobile games to seamlessly integrate with personal computers. With the powerful performance of the graphics card, mobile gamers on the Android platform can enjoy better performance brought by the graphics card, allowing players to enjoy large screen view and game control, and experiencing the high-performance PC gaming experience.
- Developed PCIe 5.0 SSD products with an excellent exclusive cooling module, providing higher reading performance and stability, with an astonishing speed of up to 10GB/s. We have a variety of capacity options to provide cutting-edge performance and experience for professionals, content creators and gamers.
- Developed a variety of Gaming mouse designed for the needs of gamers, equipped with top optical sensors and special highly durable gaming micro switches. Light and balanced weight distribution and excellent ergonomic appearance provide gamers with the most comfortable experience and overall gaming comfort.
- Developed a new gaming keyboard, equipped with MSI's latest mechanical switch body - "MSI SONIC BLUE". With a trigger pressure of only 45g, it provides seamless and instant quick response, with excellent, light pressing feel and crisp key sound, allowing gamers to achieve "tap to kill". Together with "MSI CLEARCAPS" technology, it adopts a double-layer design to increase the light transmission range, and can create richer and more gorgeous full-key RGB colorful illusions. Equipped with a two-way volume control knob, you can adjust the volume through the top or side to quickly make customized adjustments as needed. The intuitive design of the multimedia buttons lets users enjoy excellent convenience in addition to entertainment.
- Developed gaming routers, using the latest Wi-Fi technology and equipped with exclusive RGB antennas with changing color lights according to the mode. Also equipped with AI QoS function which can greatly reduce the delay, and provide gamers with an extremely fast network experience. The top-level heat dissipation module contains multiple heat pipes to ensure that the router can exert extreme performance even under heavy network traffic.

C. Servers

- Launched the new generation Server and GPGPU system with Intel® Eagle Stream and AMD® Genoa platform.
- Launched the new Entry Server with Intel® Rocket Lake and AMD® Raphael platform.
- Launched the Telecom next generation firewall (NGFW) 10U chassis-based system.
- Launched the next generation firewall (NGFW) with Intel® Whitley and AMD® Rome platform and switch fabric 400G/100G enhancement.
- Launched the next generation firewall with Intel® RocketLake and AMD® Ryzen platform and switch fabric 100G/25G enhancement.
- Launched Intel® Apollo Lake SD-WAN product.
- Launched Intel® Coffee Lake Embedded Board.
- Launched Intel® Alder Lake Workstation.

D. Desktop computers

- Launched the Intel® platform high-end gaming desktop series, and launched the latest NVIDIA® GeForce™ RTX 40 series gaming desktops this year.
- Expand the mini gaming desktop market and launch Intel®'s latest series of mini gaming desktops such as MEG Trident X2, MPG Trident AS and MPG Trident 3.
- Expand the Esports gaming desktop market and launch Intel®'s latest series of Esports gaming desktops such as MPG Infinite X2, MAG Infinite S3.
- Launched the MEG Trident X2, the gaming desktop equipped with HMI technology and got the CES 2023 innovation Awards.
- Continue to develop an exclusive heat dissipation technology - Silent Storm Cooling combined with the Air Baffle design, to effectively reduce the high heat energy brought by the graphics card.
- Launched the mini business desktops PRO DT & Cubi series, and launched desktop computer products that meet the needs of the business market, including the Thunderbolt & 4-Display technology.

- Launched the All-in-One product line – Modern AM series with built-in webcam & noise cancellation technology.
- Continue to develop the MSI Center and import cross-platform concept apps, including MSI Cloud Center, which can back up files from smartphones and tablet (Android & iOS).
- Protect users' privacy with the software Tobii® Aware on the All-in-One PC.

E. Telematics and Automotive Electronics

- Next-generation Intelligent Multiplexer Controller for Bus System: Combining touch HMI and real-time video technology to develop an intelligent multiplexer controller for bus system which will provide centralized switches control and information display, such as doors control, lights control, in cabin/exterior ..etc, vehicle Information display and Blind Spot Detection.
- Connected DVR system with AI capability: based on the facial recognition and temperature measurement system had been developed, adding driving posture detection and using AI technology to improve the accuracy, to achieve driver behavior management and real-time alert function to improve driving safety.
- Next-generation in-vehicle telematics gateway system: develop the next-generation robust telematics gateway system for logistics trucks and construction vehicles, with 5G/LTE communication capabilities and enhanced compatibility of vehicle communication protocols and different interfaces support.
- Next-generation vehicle-mounted rugged display system: Based on new generation SOC with enhanced computing power and NPU to develop a rugged vehicle-mounted display. Targeting for heavy vehicles such as agricultural and construction vehicles.

F. Laptops

- MSI has entered the gaming laptop field for more than 10 years, and currently has the most complete gaming laptop product line in the world, ranging from flagship models, ultra-thin gaming laptops, to mid-range mainstream gaming laptops, allowing consumers to choose the most suitable gaming laptop according to their needs.
- MSI is leading the industry in introducing gaming laptops that is equipped with Intel®'s 13th generation processors and NVIDIA®'s RTX 40 series graphics, working with manufacturers to take the lead in the industry to completely introduce various new platform technologies to create the best performance in its class. From high-end flagship models to mainstream models, they are all converted to new platforms, with the most complete product line in the industry.
- Last year, MSI incorporated 16:10 panels on the Content Creation series as well as Business and Productivity series. With the popularization of the panel support on special ratio for gaming scenarios, high-end RTX 40 series will also carry 16:10 panels. Additionally, 16:10 ratio can genuinely achieve 4-sided thin-bezel design, making it appear rather modernized and 10% more screen real-estate.
- The display of MSI laptop comes with exclusive True Color technology and a calibration process to make sure of providing the most precise color. The latest and exclusive Mini-LED 4K/144Hz and OLED QHD+/240Hz panels, which come with unbelievable color depth and the highest contrast, deliver an astonishing vision and a whole new level of gaming & content creation.
- Most of the laptops adopt Optimus technology, which can bring longer battery life by putting the GPU to sleep while idling. However, to bring more GPU performance to users, MSI has expanded the coverage of MUX switch to RTX40 series gaming laptops. With MUX switch, users can easily set the main video output source to discrete graphics, bringing additional graphical performance in GPU-intensive workloads.
- MSI OverBoost technology can provide the same amount of Wattage to the GPU without sacrificing that of the CPU, categorically achieving 100% burn-in CPU and GPU. What's more, MSI has come out with MSI Overboost Ultra in the latest 13th Gen. When equipped with the i9-13980HX processor, other than stressing both CPU and GPU simultaneously, it could deliver a staggering 5.2GHz all-core for the CPU.
- MSI's exclusive "Phase-Change Cooling Technology" enhances cooling airflow by 65%. When processor temperature reaches 58 degrees Celsius, the phase-change thermal pad will change its form from solid to liquid, it will then greatly improve the heat dissipation and conductivity efficiency between the processor and the heatsink
- "Thin and Light Business Laptop" product line was acclaimed by the market after launching, combining security encryption technology and many other business-related functions. R&D team lightened the material of mechanical structure and then added the lightest laptop "Prestige 13" into the B&P family.
- Using innovative single-body design to develop and integrating a double-sided force canceling speaker greatly improve the high and low frequency sound of the speaker, providing the best listening experience notebook computer in the industry.
- Continue to cooperate with "SteelSeries®", and use MSI's own exclusive Mystic Light lighting effect, which

is highly integrated with the game, so that the player's keyboard can be integrated into the game situation.

- MSI knows a decent keyboard design is crucial for the win. Therefore, metal shielding support mechanism is added underneath the keyboard for all the MSI Gaming Series laptops. Gamers can control the keyboard at their best as the feedback of keys remains precise even when players hit the keys hard during intensive battles. The impressive keyboard outlook incorporates a futuristic design, with translucent keycaps implemented on the WASD, arrow keys, and power button of specific MSI RTX 40 series gaming laptops.
- With the vigorous development of various social media and self-media, editing of video and pictures are growing at a high level. For the needs of those various creators, MSI has carefully created an exclusive series of Creator notebooks. Equipped with smart detection, editing software are well optimized for the system, whether it is 3D modeling, dynamic image or even still image editing.
- The award-winning MSI Pen 2 uses the latest MPP2.6 Technology, with 4096 pressure level and haptic feedback, making it feels like writing on actual paper. Furthermore, users can also use the MSI Pen 2 as a traditional pencil on paper without switching to actual pens.
- The all new "MSI Center" integrates software between different product lines, and auto detects system usage. Through multi-variables such as startup software and remaining power, the system can switch different mode according to the scenario. It brings seamless intelligent optimal experience.
- Intelligent fan dynamically adjusts the speed and performance level by continuously monitoring the ambient sound volume, allowing users to sense the environment and allow the fan speed to set the performance level to enjoy the best performance under "quiet" conditions.
- MSI ID Design team has successfully applied the "etching" technology to the appearance of the product, the unique shape of the special edition can be presented on the body in a three-dimensional design, breaking the limitations of the common printing process in the industry. MSI expanded this skill into the new gaming laptops, which come with the MSI brand symbols on the mechanical structures, similar to some luxury brands.
- MSI Design department conducts data research on different process skills and color trends to assist in the development directions. In addition to paying attention to macro trends, industries that are closely related to people, select the most popular representative colors from the often-changing trend, inject colors of MSI notebooks, and customize exclusive into MSI color plans.
- Continue to strengthen the notebook market of high-end professional mobile workstations. Combined with product design and equipped with high-performance dedicated graphics cards, we will create more professional, high-performance and highly portable professional graphics notebooks for graphics and graphics workers.

G. Monitors

- Development of the high-end curved gaming monitors, and expand the product line of large-size and ultra-wide (21:9) gaming monitors equipped with QD-OLED technology, so that curved gaming monitors can have a wider audience of high-end users.
- Continuing the development of the Gaming monitors that adhere to the standard of Esports tournaments and expanding the product coverage to the flat-screen market. Successfully developed the 380Hz gaming monitor which is G253PF.
- Development of a technology that can deeply integrate Gaming monitors with Gaming desktops and achieve the best gaming experience, and it was implemented on all supported models in 2022.
- Continuing the development of Gaming monitors that can show game-related status and information on the monitor panel, successfully developed the SpectrumBar – Glow Sync function which allows the RGB lighting effect of the screen to link with the real-time image color displayed.
- Optimized the gamer experience, use the RGB light of SpectrumBar to inform consumers of the progress of OLED monitor maintenance status, reducing consumers' sense of uncertainty when waiting.
- Applying AI technology to Gaming monitors. With the information captured in big data, Gaming monitors now offers more personalized and user-friendly applications, and successfully applied the active noise reduction microphone and optical sensor to the new generation of QD-OLED monitors.
- Deep into the field of large-size gaming screens, and successfully developed the world's first 49"240Hz Super Ultra-wide QD-OLED Curved gaming monitor.
- Innovating monitors that are suitable for professionals within the Multimedia and Content Creation industry. Fine tuning the wide color gamut element that all the artists and creators care about.
- Continuing the development of Professional monitors that can help enhance the productivity for users with MSI eye-care technology & ergonomic design, both in the hardware and software aspect.
- Development of application software with intuitive UI and enhanced workflow for improving working

	<p>performance – Productivity Intelligence.</p> <ul style="list-style-type: none"> ● Considered up-to-date user scenarios, developed AI lighting sensor and built-in anti-noise canceling microphone on commercial monitors for enhanced eye care and optimized WFH experience. <p>H. Others (Case, Liquid Cooler, Power Supply)</p> <ul style="list-style-type: none"> ● Develop high-end gaming PC cases that are compatible with the latest Intel® / AMD® / NVIDIA® products to support the needs of the DIY market. ● Develop case products used by professional designers and content creators to further support their needs. ● Develop liquid coolers to meet the high core heat dissipation requirements of current Intel® and AMD® processors and match MSI gaming cases to provide a complete user experience. ● Introduce power supply units that can meet the wattage requirements of current Intel® and AMD® processors and high-end graphics cards, with MSI gaming cases to provide a complete user experience. ● The case is equipped with a 4.3” touch LCD panel to provide players with a faster and more intuitive way of operating the software. ● Continue to develop and invest in the graphics card 12+4 pin concept, a corresponding high-end power supply was launched to meet the demand for high-wattage demanding products. <p>I. AMR (Autonomous Mobile Robot)</p> <ul style="list-style-type: none"> ● Develop AMR intelligent mobile robot and Fleet Management System based on AIOT and service. ● Develop several applications and field verifications of AMR-based service compound assistive robots, including intelligent epidemic prevention and disinfection fleets and intelligent transportation fleets. ● Develop several modules in order to integrate with 5G 、RFID 、collaborative robot 、warehouse management system(WMS), service, etc. ● Offer integrated modules and third-party application programming interface (API) to system integrators (SI) for software integration. <p>J. Smart Electric Vehicle Charger</p> <ul style="list-style-type: none"> ● Electric vehicle charging products and cloud application solutions. ● Green energy applications and products. ● Smart parking management applications and products.
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4.Short-term and long-term development plan

(1)Short-term development plan :

Brand marketing: We continue to deepen the channel management with the self-expectation to be the first choice for e-sports products. After the success of the e-sports market, we have extended to the fields of content creators and business and productivity, pursuing laptops. At this stage, the main development direction of business marketing is to pursue the overall stable growth of various products such as laptops, desktops, motherboards, graphics cards, industrial computers, servers, and automotive electronics.

OEM: The Company works closely with international heavyweights in order to find out profitable commercial models. The economics of scale approach is adopted to continue bring down the production cost and to enhance the overall profits for the customers and the company.

Research and development, manufacturing, and service: From research and development of products to manufacturing, and mass production, customers are provided with high-quality products and after-sales services.

(2)Long-term development plan :

The Company builds on its solid R&D capabilities and has been well received among customers and users with its outstanding quality of products and optimal services. In the future, it will continue to be devoted to creating instant competitive advantages for its core capabilities and seeking opportunities to diversify its operations. Besides motherboards, display cards, laptops, servers, and desktop computers that it specializes in, it will also work hard to gradually become a profitable leader in other products such as industrial computers and automobile electronics.

(II) Market Analysis and The Conditions of Sales and Production:

1. Market Analysis

(1)Sales Regions:

Unit: NT\$ thousands

Year Sales Region		2022		2021	
		Net Sales	%	Net Sales	%
Export sales	Europe	41,082,362	22.77%	57,410,825	28.45%
	Asia	76,855,705	42.60%	75,375,876	37.35%
	America	53,851,988	29.85%	59,459,519	29.46%
	Others	3,403,562	1.89%	4,246,217	2.10%
Subtotal		175,193,617	97.11%	196,492,437	97.36%
Domestic sales		5,217,625	2.89%	5,317,715	2.64%
Total		180,411,242	100.00%	201,810,152	100.00%

(2)Market share and market demand and supply and market growth

A. Market Share

The Company is one of the heavyweight PC manufacturers in the world, with product lines including motherboards, display cards, desktop computers, laptops, and other commercial products. Because of its continuous devotion to increasing investment in research and development and brand management and focus on high-end markets with high gross profits such as that for Gaming, the Company is able to secure a steady leading position in terms of the sales and market shares of laptops and display cards. The motherboards, on the other hand, remain steady as one of the Top 3 on the market.

B. Supply

According to IDC, 2023 total PC shipment is estimated at 281 million units, which is a decrease from 292 million in 2022 but still a growth of 5% from 268 million the volume pre-pandemic in 2019 , and remains on a track of growth. On emerging markets, however, business opportunities keep growing for Gaming. Multiple brands continue to invest in the research and development as well as marketing of Gaming-related products. Despite the competition, the Company will continue listening to the users in order to know their needs and will create products that meet users' needs with its professional R&D capabilities and production technology so as to become the No. 1 high-end brand referred by users.

C. Demand

The gaming industry will continue to expand, which will stimulate hardware needs from game content, as well as sound and light effects . The performance of common, economic PCs can no longer satisfy gamers in pursuit of high functionality. Therefore, the pursuit of high functionality increases gamers' need for mid- and high-level PCs, motherboard, display card, and even displays and peripherals. In recent years, NVIDIA's revenues from gaming soared significantly. It shows that the need for PCs is moving towards the mid and high level. Content creators' needs are also growing. According to the data published by the major software manufacturer Adobe, Such Company's creative platform has 30 million members, The demand of various content creation is high and complicated. MSI will also develop the products that tailor the users' need and become an indispensable partner for creators.

D. Competitive niche and advantageous and disadvantageous factors for future developments as well as response measures

① Competitive niche and advantageous factors for future developments

a. Outstanding product development capabilities

The Company has a management team with more than 20 years of experiences in research and development and technical experiences. The members are heads of respective business groups and supervisors at the main office. As such, they have a deep understanding of promising technologies and are efficient in making decisions. Meanwhile, they can combine numerous technical trends to make the best of teamwork. Research and development staff, on the other hand, are highly experienced professionals; they contribute to the outstanding R&D accomplishments of the Company and the award-winning stream of its products over the past years. The excellent rating with regard to its performance by professional media and user referral on respective major markets are the best proof.

b. Productivity featuring high quality and flexibility

From design, development, to mass production, the Company is known for its quality mass production technology and highly efficient productivity. Meanwhile, the Company constantly introduces and updates automatic and smart equipment in order to improve production quality and to bring down the cost. In addition, the Company has a systematic management process and complete educational training programs for operators so that the product yield rate exceeds 99%, which contributes significantly to both improved quality and product image.

c. Outstanding management capability

Information technology products are known for their short life cycle and fast changing prices. Potential competitors do not necessarily come from the same sector. In response to the quick changes in competition on the market, the Company pays attention to market dynamics at all times in order to respond quickly and to reduce the inventory stress. Risk management is concerned, the Company adheres to its credit policy for the security of outstanding accounts receivable to keep the actual bad debt amount low. Therefore, its management capability demonstrated through both its management of the inventory and accounts receivable is highly recognized.

d. Excellent management system and Good product quality

Each step of production, starting from order processing, material preparation, production control and management, shipment handling, to environment protection and safety and health, risk management, and quality assurance, is under standardized management. In addition, our R&D and production personnel are continually pushing for production improvement and material replacement from reasonable and automation aspects for better yield and lower environmental impacts.

e. Pursuit of satisfying services for customers

Customers have increased demand for technical support and after-sales service. In order to increase customer satisfaction, the Company has after-sales service centers and online customer service available on major markets so that real-time assistance can be provided to customers and customers are entitled to convenient and quick services and technical support. The Company can also quickly keep track of market and user dynamics and investigate customer satisfaction to be the basis for quality advancement.

f. Flourishing developments of the Gaming and gaming sectors

According to statistics from Newzoo, there were nearly 3.2 billion gamers globally in 2022, a 4.6% growth for the year. The market value will reach US\$212.2 billion in 2025, or a compound annual growth or 3.4% rate. Every government is becoming more and more interested in the gaming industry, and society's recognition of the gaming industry is also growing. There are major gaming contests held and streamed locally and in other countries. Aiming for business opportunities, many industry players, including Google, are developing mobile games operable in a PC environment. The gaming market keeps expanding. The massive business opportunity arising from gaming might become the focus of the Company's products.

g. Rise of self-media

Nowadays, audiovisual and design content creation platforms are rising alongside the increase of communication bandwidth and speed. Each content creator's requirements for hardware equipment vary, ranging from document, music creation, video shooting and editing. All the demands above require a stable and high-performance PC product line, which is the key strength we can offer to customers.

② Disadvantageous factors for future developments

a. Short life span of information technology products. Spearheaded by main suppliers that have an effect on product development, downstream manufacturers can only follow market trends or the footsteps of international heavyweights in producing homogeneous products, which tends to result in price cut competition on the market and the difficulty to maintain reasonable profits. Many manufacturers in the industry try to secure their market share by reducing their prices, which, however, also squeezes the room for profitability.

b. Sectors accounting for a higher ratio in exportation is more easily affected by the volatility of exchange rate. Drastic changes in the exchange rate will affect their profitability.

c. Information communication continues to innovate. 5G, automotive electronics, and AIoT continue to increase demand for semiconductors. If wafer supplies cannot be replenished promptly, supplies to PC making might be squeezed.

③ Countermeasures

a. Reinforced collaboration with key part suppliers in the upstream to develop competitive new products early on; devotion to R&D to help improve product efficacy and create high value-added and touching products for strengthened brand value and for creating reasonable profits for the Company; maintaining sufficient throughput to be capable of accepting ODM/OEM orders from international heavyweight clients and to improve income; and introduction of automatic and smart manufacturing to deal with diversification of products in small quantities and to more flexibly meet customers' demand by adjusting the production lines.

b. Increased ratio of paying in foreign currencies to bring up the natural hedging ratio to counterbalance assets and liabilities in foreign currencies and continued adoption of hedging measures such as foreign exchange hedging transactions to reduce risks associated with the volatility in exchange rate along with

close attention paid to impacts of various policies of major countries, including tax reform and balance sheet reduction in the US and the changes in regional political and economic situations as a result of emerging trade protectionism and cautious response to impacts caused by capital flows in Asian and Central American countries, global exchange rates, and financial credit.

- c. Fully grasp the needs of channel customers, and work closely with upstream suppliers to flexibly adjust production capacity to respond to changes in supply and demand in a timely manner and fulfill order shipments.

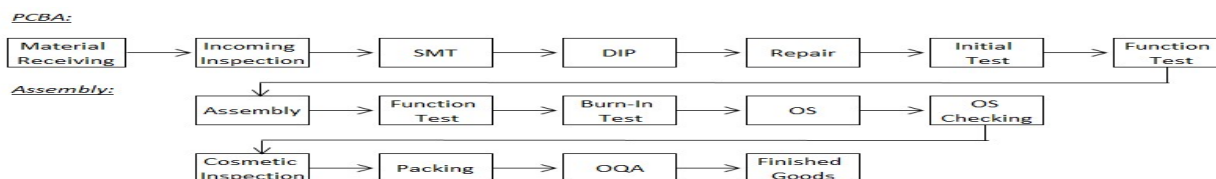
2. Important purposes and production/preparation processes of primary products

(1) Purposes of main products

The Company mainly manufactures and sells computers, motherboards, and interface cards. Motherboards are important components of computers that are responsible for output and input features, including sending images, controlling the network, sound effects, and other multi-media features; they are indispensable for computers.

Name of product	Purpose
Motherboard	Important component of personal computers, taking care of internal computing, output, and input features of a computer system, the backbone of a computer
Laptop	A mobile PC with high-performance calculation.
Interface card	One of the important components of a PC, which converts the display information required by the computer system, drives and controls the display to present correct information, and an important component for human-machine dialogue.

(2) Production processes



3. Supply of Major Raw Materials:

Major Products	Major Raw Materials	Suppliers	Supply Status
Motherboard	Integrated Circuit	B	Stable supply available
		C	Stable supply available
	Printed Circuit Board	Global Brands Manufacture Ltd.	Stable supply available
		Palwonn Electronics (Suzhou) co., Ltd.	Stable supply available

Note: Due to confidential business information and nondisclosure agreement concerns, some real vendors' names are substituted with codes.

4. Major Customers with over 10% Net Sales and Suppliers with over 10% total Purchases of the Last Two Fiscal Years:

(1) Purchases

Major Suppliers of the Last Two Fiscal Years

Unit: NT\$ thousands

Year	2022				2021				2023Q1			
Item	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 purchase of Q1 [%]	Relation with issuer
1	B	38,640,669	25.49	None	B	40,393,985	24.42	None	B	10,320,192	38.63	None
	Others	112,950,372	74.51		Others	125,000,223	75.58		Others	16,394,289	61.37	
	Net purchase amount	151,591,041	100.00		Net purchase amount	165,394,208	100.00		Net purchase amount	26,714,481	100.00	

Note1: Due to confidential business information and nondisclosure agreement concerns, some real vendors' names are substituted with codes.

Note2: Causes of increase and decrease— Supply chain diversification.

(2) Sales: Not Applicable.

5. Production Quantities and Values of the Last Two Fiscal Years:

Unit: 1000 pieces; NT\$ thousands

Year \ Product	2022			2021		
	Capacity	Output	Amount	Capacity	Output	Amount
Computer and peripherals	23,500	23,189	118,929,660	36,534	28,612	149,328,787

6. Sales Quantities and Values of the Last Two Fiscal Years:

Unit: 1000 pieces; NT\$ thousands

Year \ Product	2022				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Computer and peripherals	552	5,217,625	21,239	175,193,617	576	5,317,715	28,599	196,492,437

(III) Employees

Status of employees over the past two years and up to the date of the report printed

Item	Year	2022	2021	As of April 30, 2023
		Employee	Sales & Management	1,078
	Technician	1,969	1,997	1,967
	Total	3,047	3,076	3,030
Average age(years)		38.71	37.84	39.00
Average years of service(years)		9.20	8.37	9.47
Education (%)	Ph.D	0.16	0.16	0.16
	Masters	21.99	21.62	22.15
	College/University	68.79	68.17	68.88
	Senior High School	6.86	6.70	6.50
	Junior High School and below	2.20	3.35	2.31
	Total	100.00	100.00	100.00

(IV) Environmental expenditures information

The company's operating activities are mainly about the production, assembly, research and development, sales of electronic products and related administrative operations as it belongs to the non-high pollution and high energy consumption industry, but the MSI is still committed to improving environmental protection and green product management. The relevant performance is as follows:

1. In the most recent year and as of the print and publication date of the annual report, is there any loss due to environmental contamination? Disclose the estimated amount now and possibly occurring in the future and responsive measures: None.
2. The management performance of the green products:
 - (1) The total amount of fines or derivative losses incurred in the most recent year due to product violations of international environmental laws or clients' requirements on hazardous substances: None.
 - (2) Issued "Green Product Control Regulations" and regularly revises them according to the latest international environmental protection laws and clients' requirements as the basis for the management of hazardous substances in the supply chain, as well as the internal green product design and selection criteria.
 - (3) More than 180,000 components have been certified by Green Products since 2010.

3. Environmental Management Performance:

The MSI operating activities are based on compliance with environmental laws, continuous improvement of processes, work environment and equipment to reduce pollutant emissions, energy consumption and safety and health risks. Each environmental performance has a dedicated unit responsible for management and regular monitoring. The following will describe the status of various environmental performances during the reporting period.

- (1) Passed the ISO 14001 environmental management system certification.
- (2) Passed the ISO 14064-1 Greenhouse Gas Accounting and Verification Certification for continuous improvement of greenhouse gas reduction.
- (3) Our facilities and products' waste disposal management meet environmental protection requirements.
- (4) The air/noise/sewage test results meet the requirements of the regional regulatory authorities.

4. Greenhouse Gas Management:

- (1) The Company has carried out verification of greenhouse gas emission data since 2008 and has continually and actively implemented energy conservation practices.
- (2) In 2010, the Company began to be surveyed for the Carbon Disclosure Project (CDP).
- (3) MSI is committed to managing carbon emission and greenhouse gas emission. We pledge to achieve the following before 2030: 60% reduction in greenhouse gas emissions (2007 base). In 2021, in response to market demand, the Taoyuan plant has been added as a production base, and a new version of the greenhouse gas inventory standard (ISO-14064:2018) was introduced, resulting in changes in the scope and calculation method of the greenhouse gas emissions; and we will conduct continuous annual review on a rolling basis, Greenhouse Gas Emission of the reporting period (2020) : 61,345 tons CO₂e.

(4) Environmental related emissions data for the past two years are as follows:

Item / Year	2022	2021	Change +/-	Third-party verification status
Amount of greenhouse gas emissions (Metric Tons CO ₂ e)	51,627	65,251	(13,624)	Verification has been conducted by Bureau Veritas Certification (Taiwan) Co., Ltd. (BVC) in accordance with ISO14064-1 2023/04 Obtained the certification (ISO 14064-1:2018)
Total water consumption (Megalitre)	877.089	1,086.430	(209.341)	Disclosed in the Corporate Social Responsibility Report, and verified by the British Standards Institution (BSI) Taiwan branch 2023: Expected to obtain Corporate Social Responsibility Report verification statement in June.
Amount of waste generated (Kilogram)	9,723,690	8,478,178	1,245,512	Disclosed in the Corporate Social Responsibility Report (CSR), and verified by the British Standards Institution (BSI) Taiwan branch 2023: Expected to obtain Corporate Social Responsibility Report verification statement in June.

Note: Greenhouse gas emission and water consumption reduced in 2022 comparing with 2021, due to the replacement of power saving equipments, solar electricity equipment and smart water meter installation in 2022. The waste increased comparing with 2021, because of the one-time-use tableware and take-out foods during the pandemic.

5. The electricity saving measures management:

MSI assumes its corporate responsibility in environmental protection, pollution prevention, and green production and introduces an international environmental management system and occupational safety and health management system with environmentally friendly policies. Each year, we establish a management plan and action plan for the continued improvement of implementation performance, mitigation of the influence of operation on the environment and the local communities. We fulfill our commitments to being environmentally friendly with the application of the environment management policy and supervision measures to identify potential risks, cut down operational and product impacts, and exercise regular checks for legal compliance to ensure the efficacy of the environment management operation. Also, we conduct internal and external audits to ensure our management for environmental protection follows the planning, execution, audit and action plans to reach the goal of sustainable improvement. For management systems for ISO 14001, ISO 50001 and IECQ/QC 080000 and certification for ISO 14064-1, please check the website: <https://csr.msi.com/tw/management-system-certificate>. Our operation mainly includes assembly production and R&D which require mostly water and electricity and are not high energy-consuming operations. Therefore, we uphold water and power conservation and power efficiency with the related measures as follows :

<p style="text-align: center;">Power Usage Adjustment</p> <ul style="list-style-type: none"> ● For hot water usage, some employee dorms use solar water heaters with an extra heat pump and recycled air compressor ● Temperature adjustment of out-going cold water and reduce the machine time for cold water machines to reduce power usage ● Regular patrol to check the temperature of air conditioning (26 degrees Celsius) 	<p style="text-align: center;">Lighting Management</p> <ul style="list-style-type: none"> ● Regular patrol to turn off unnecessary lighting facilities ● Light off during lunch break ● Lighting control in the office area after office hour (except emergency lighting)
<p style="text-align: center;">Public Facility Management</p> <ul style="list-style-type: none"> ● Copiers: power-saving mode in office hours and power-off after office hours and on weekends ● Water Dispenser: power-saving mode and power-off after office hours and on weekends ● AC: management by areas and power-on when needed ● Replace energy conservation facilities according to useful life 	<p style="text-align: center;">Concept Reinforcement Advocacy</p> <ul style="list-style-type: none"> ● Incentive rewards offered to employees who practice energy conservation ● Advocacy to employees (such as posters and emails) ● Various environmental events, such as Earth Day to help employees increase the awareness

2022 Results from environmental management measures:

Management item	Short-term objective	Mid- to long-term objective	Compared to the results in 2021
			Absolute emission/consumption volume/generation volume
Category 1+2 greenhouse gas reduction by volume	Reduction of at least 1% per year.	2007(113,675 metric tons of CO ₂ e) was taken as the base year, the annual emission volume must reduce by 60% by 2030.	Reduce by 21%
Reduction of fossil fuel energy	Reduction of at least 1% per year.		Reduce by 65%
Reduction of water resources	The total water consumption volume reduced by 1% from the previous reporting period.		Reduce by 19%
Reduction of wastes	The total waste capacity reduced by 1% from the previous reporting period		Increase by 15%
Legal Compliance	Assure the operation of MSI is in compliance with the environmental rules and regulations, as well as the local requirements for each individual plant site.		No punishment imposed due to violation of environmental regulations.
Use of green power	Continue to assess the installation of renewable energy generation facilities and green power purchase.		3,304 MWh from the self-built PV generator, which accounted for 5% of the MSI Group.
Wastewater	Test on wastewater from the plant sites indicated conformity to local requirements of the plant sites.		Routine inspection and testing and continue to assure conformity to applicable legal rules or standards.
Air quality inspection and testing	Quarterly inspection of CO ₂ and PM _{2.5} , for indoor air, which is conforming to standards.		

Testing of air pollution and noise in the perimeter	Routine inspection and testing.	
Acquired energy conservation facilities	We have acquired various new facilities, for a total of NT\$331 million, including CEM lines (inverter nitrogen air compressor) auto screwing, auto packing, auto laser coding, X-ray part counter, AOI packaging, unmanned autoloader, centralized smart emergency illumination, solder machine replacement, auto AC controller in workshop, auto visitor pass generator, printing machine, and auto patching system in our plant sites in Taoyuan, Shenzhen and Kunshan.	Shenzhen plant installed ice water equipment, and electricity saving is around 82.94mWh. Kunshan plant installed an inverter nitrogen air compressor, and the total electricity saved over the past three years is 250 kWh per hour.

6. Waste Electrical and Electronic Equipment Management:

- (1)EU zone: entered into recycling system or undertaken waste product recycling plans according to EU's Waste Electrical and Electronic Equipment (WEEE) Directive and legal requirements in various EU nations. Products sold in EU zones should be entered into local recycling systems, and products need to be labeled with WEEE recycle bin to clearly ensure that we are in full compliance with WEEE Directive's regulations.
- (2)Taiwan: recycling process of waste IT products is primarily handled by the Environmental Protection Administration (EPA) in Taiwan. The Company pays fees pertaining to recycle processing according to regulations for imported products, and these fees will be used toward recycling, issuing subsidies, audit approval for quantities processed, management of recycling firms, and administration duties by the EPA.
- (3)Other zones: the Company undertakes relevant procedures and registers at qualified recycling systems according to local governmental requirements at different regions.

7. Corporate environmental protection expenditure and investments in 2021 are described as follows:

Item	2022	2021	The goal and benefits
The total expenditure on environmental protection	28,650,074	34,291,699	Includes waste disposal, sewage control and inspection, external environment management services, management system verification etc.
The total amount of investments in environmental protection	308,010,680	155,274,065	The company's environmental equipment operation and maintenance cost ensure that the equipment is working properly.

Note: Due to the replacement of power saving equipments, total environmental protection expenditure increased in 2022 comparing with 2021.

8. The information of corporate governance, environmental sustainability, supply chain management, friendly product and service, ISO certifications can be found at Sustainable MSI:https://storage-asset.msi.com/html/popup/csr_tw/about_management.html

(V) Employer-employee relations

1. The various employee benefits, continuing education, training, retirement system available at the Company and their implementation and the agreement between the employer and employees as well as protection of the various rights of employees

(1)Employee benefits:

The Company believes in sharing its operational accomplishments with its employees. We have the Employee Welfare Committee in place and we plan benefits for employees according to the Employee Welfare Guidelines so that our employees have a steady life and their rights are protected. The various benefits we offer to employees include group insurance, birthday giftfund, child birth and wedding giftfund, funeral and illness consolationfund, gifts (vouchers) on Labor Day and Mid-autumn Festival, arts and cultural events, society activities, periodic health examinations, travel subsidies, employee restaurants, cafeteria, dormitory, subsidies for gatherings, library, medical assistance room, nursery

room, outstanding performance reward, year-end bonus, employee rewards, and other preferred solutions from time to time.

(2) Employee health management:

The Company cares about the health of its employees. There are professional medical assistance rooms available on respective premises and health examinations are organized periodically in order to keep track of and care about employees with abnormal health conditions. During flue seasons, there are reminders for employees so that they reduce visiting public areas and pay closer attention to personal hygiene. The Company also reinforce cleaning and disinfection of office areas and pay for the French trivalent Pasteur flu vaccine that it arranges for staff to receive. If a rapid screen is determined by the physician that finds a positive flu result, the employee will be entitled to 3 consecutive days off on official leave so that he/she can stay home and get well soon.

(3) Employee Assistance Program (EAP) :

The Employee Assistance Project (EAP) was initiated on 1 November, 2011. By dialing 8585 (help me, help me in Taiwanese), employees can get help for the following issues: work stress, emotional problems, tax, legal affairs, medical care, and others. By combing internal and external services, EAP helps employees to solve related problems and release work stress and emotions to regain mental health, so that their family will not need to worry about their physical and mental condition.

(4) Employee Development:

Employee development is our focus. Given employees are indispensable from the future development of MSI; therefore, we begin with the selection, education, and retention of employees. As for employee education, we start from plan and implement internal and external training for employees. We have also established the Training and Education Management Regulations as the reference of continuing education and internal training of employees. Employees at MSI can receive continuing education and seek self-development through comprehensive learning channels and resources, such as internal training, external training, and expatriation.

Our training courses in 2022 focused on management skills for supervision, employee care with coaching skills, intellectual property rights, information security, and culture development for digital transformation, etc.

A. Newcomer general education

Regularly held newcomer consensus trainings with contents including work rules, employees' rights and related channels, the introduction to the MSI management system, green product concept, and corporate laws, general education of hazardous substance, business continuity management, first-aid knowledge, introduction of infirmary, fire safety, labor safety and health education, IT Center, and other trainings with basic concepts and case studies of current events. The training ratio for newcomers is 100%.

B. MSI University

We began planning the MSI University (MSIU) in 2009 to cope with the highly competitive business environment in the electronics industry with talent cultivation. By improving the R&D and innovation capacity in key technology and with the improvement of managerial competency and efficiency, we aim to enhance MSI employees' competitiveness in the electronics industry.

① Leadership College

With the planning focus of strengthening the awareness of the supervisors' role, understanding the Company's internal systems and operating procedures, and providing supervisors with leadership/management skills/employee care as the planning focus, a complete and fast compulsory management course has been designed, so that supervisors can have further training targeting their inadequate abilities, review what have been learned and learn something new, and the new supervisors can also quickly get the hang of the job. In 2021, we focused on leadership courses in aspects such as development of supervisory management skills, employee care and labor act practice, self-management and Coaching communication.

② Sales and Marketing College

This series of courses include semi-annually skill development activities aimed at reinforcing the sales and management skills of overseas managers. A series of courses is also planned for sales executives overseas and at the head office to reinforce their abilities in market information surveying, selling and management and marketing. These courses simulate actual market scenarios in Europe and the US, and cover product knowledge, surveying customer needs, and actual selling at different stages. They focus on hands-on skills that can be directly applied to everyday operations.

③ R & D College

Focuses on helping the staff expand their research and development vision and think about breakthrough methods. At the same time, the Company will study the application and development of artificial intelligence (AI), and continue to strengthen R&D management capabilities such as market analysis and product planning and problem analysis and resolution. At the same time, our internal R&D Technology Committee hosts R&D Managers' Conference quarterly to enable sharing and discussion of technology resources and applications through a cross-division information exchange platform for new technologies

④ Technology Collage

Assist staff of tele customer service to explore innovative service capabilities and practice emotion relief and positive thinking. Development guidelines and blueprint for factory technology developments with the establishment of technology courses of all levels have been continued in each plant site.

⑤ E-School

In response to the sweeping wave of digital transformation, companies' business models, business strategies, and marketing tactics are all facing the challenges of digital transformation. In view of this, the newly established "E-School" under MSI University will focus on the development of digital thinking, professional knowledge and key skills required by digital talents, and establish a complete set of training courses from various aspects such as digital trends, digital technology and digital management to cultivate cross-field digital transformation talents.

Main education and training courses for employees in 2022.

2022	Educational training	Expenditures (NT\$)	Headcounts	Total hours
External training	Professional technical training	551,047	105	1,433.5
Internal training	Management skills training, professional training, general education	3,913,238	7,143	16,873.5

(5) Pension plan

The wage and pension system at MSI complies with local laws and regulations. The employee pension benefit plans are constituted precisely and apply to the length of service for all formal employees before the implementation of Labor Pension Act in July 1, in 2005. The plans are also applied to the seniority of those who choose to fall under the Labor Standards Act after the implementation of Labor Pension Act. In the name of Supervisory Committee of Business Entities Labor Retirement Reserve, retirement accounts are opened in Bank of Taiwan. In accordance with the old-age insurance system in the P.R.C., the MSIS and MSIK allocate pension premium for local workers based on a certain proportions of their payroll every month. The pensions of all staff would be made overall arrangements by the government. Please refer to **page 147~150 & 204~206**.

(6) Labor – management agreements

Since MSI was first established, in addition to constructing a positive, fair work environment and planning comprehensive employee benefits, we have also established the "Work Protocols" as the basic set of behavioral guide for employees to comply with. This is to clearly state the rights and obligations of both that the employees and the management, as well as employee behavior and ethics. The content of which is as follows:

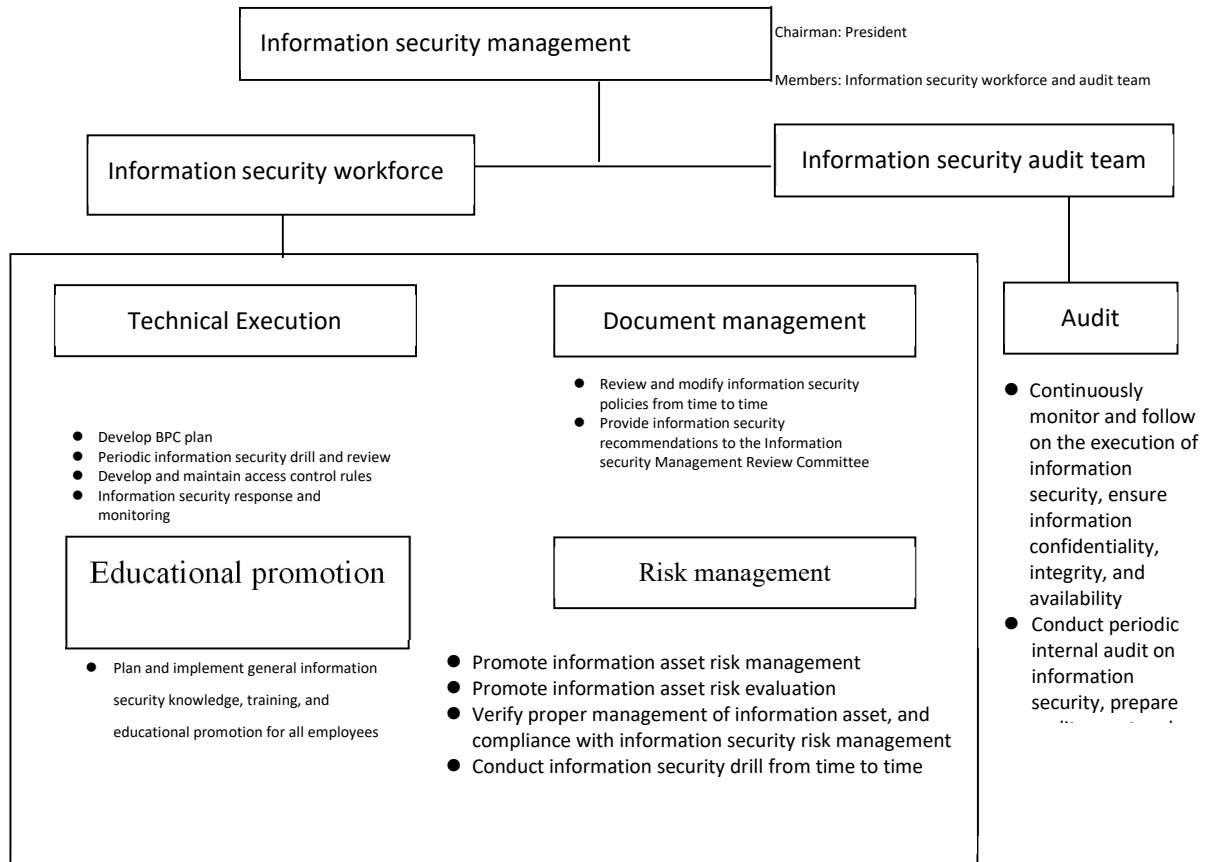
- A. Employees should abide by the law and the Articles of Association and to abide by the supervision of their supervisors.
- B. Employees should not harm the good name and reputation of the Company, nor should employees use their positions to receive gifts.
- C. Employees shall not disclose the company's business, technical, and other confidential information.
- D. Establish the standards of employee salaries, cash rewards, bonuses, retirement, leaves, and standards of incentives and disincentives.
- E. Sexual harassment prevention.

2. Losses borne due to employer-employee conflicts in the most recent year and up to the date the annual report was printed, possible estimated values at present and in the future, and countermeasures: There were no major employer-employee conflicts in the most recent year and up to the date the annual report was printed.

(VI) Information security management

1. Information security management

(1) Information security management structure



(2) Information security policy

The Company has prepared the information security statement of applicability, and developed the information security policy with reference to the provisions of ISO 27001, including one brochure, 15 procedures, and one policy, a total of 17 documents of information security management.

(3) Substantive management policies, and resources invested in information security management

In order to enhance information security management, prevent information misappropriation, alteration, loss or omission, ensure the confidentiality, integrity, and availability, the Company established the Information Security Management Committee in 2020, and appointed the Chief Information Security Officer, information security management, and information security staff to review the information security management and monitor such operation at MSI. It is expected that the information security management, monitoring and promotion will effectively increase the Company's ability of information security safeguards, and the employees' awareness of information security. In addition, the Company introduced ISO 27001:2013 information security systems in 2020, The third-party certification was completed (the certificate was received on April 12, 2021). In addition, we have joined Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) to make necessary adjustments and protection through reference to the latest updates on information security, protecting the Company's information security by reviewing the confidentiality, integrity, and availability of the Company's information and technology from top down.

2. As of the print date of the annual report, if there is any critical information security incident in the last year, please specify the loss, possible impact and responsive measures; if reasonable estimation is impossible, please describe the facts that cannot be reasonably estimated: None.

(VII)Material Contracts

Important contracts that remained effective as of the date the annual report was printed and expired in the most recent year on supply and distribution, technical collaboration, engineering projects, long-term loans and that are sufficient to impact shareholders' equities:

Nature of contract	Contracting Party	Term of Agreement	Main contents	Restrictions
Large authorization contract	Microsoft Corporation	From Aug.1, 2018 till termination by either party	GLOBAL PARTNER AGREEMENT Windows, Office, Apps & DSB software licensing	No transfer

VI. Financial Information

(I) Five-Year Financial Summary

1. Condensed Balance Sheet

(1) Condensed Balances Sheet (Consolidated)

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31,2023 (Note2)
		2022	2021	2020	2019	2018	
Current assets		78,598,457	93,388,309	71,361,468	53,761,821	49,356,897	85,466,793
Property, plant and equipment (Note3)		5,522,073	5,710,853	5,130,094	4,893,433	4,738,544	5,421,143
Intangible assets		-	-	-	-	-	-
Other assets		2,732,373	2,360,428	1,905,953	1,693,454	1,078,732	2,822,861
Total assets		86,852,903	101,459,590	78,397,515	60,348,708	55,174,173	93,710,797
Current liabilities	Before distribution	37,640,785	53,706,424	42,192,490	28,625,273	24,765,061	47,465,691
	After distribution (Note4)	43,216,836	62,577,414	47,346,113	32,173,669	28,989,343	-
Non-current liabilities		813,529	672,846	665,173	710,970	463,251	917,200
Total liabilities	Before distribution	38,454,314	54,379,270	42,857,663	29,336,243	25,228,312	48,382,891
	After distribution (Note4)	44,030,365	63,250,260	48,011,286	32,884,639	29,452,594	-
Equity attributable to shareholders of the parent		48,398,589	47,080,320	35,539,852	31,012,465	29,945,861	45,327,906
Share capital		8,448,562	8,448,562	8,448,562	8,448,562	8,448,562	8,448,562
Capital surplus	Before distribution	805,068	804,516	804,214	803,918	1,226,049	805,068
	After distribution (Note4)	805,068	804,516	804,214	803,918	803,620	-
Retained earnings	Before distribution	39,848,080	38,729,036	26,961,534	22,554,510	20,777,216	36,736,506
	After distribution (Note4)	34,272,029	29,858,046	21,807,911	19,006,114	16,975,363	-
Other equity interest		(703,121)	(901,794)	(674,458)	(794,525)	(505,966)	(662,230)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	48,398,589	47,080,320	35,539,852	31,012,465	29,945,861	45,327,906
	After distribution (Note4)	42,822,538	38,209,330	30,386,229	27,464,069	25,721,579	-

Note1: The above financial information for each year was audited by CPA.

Note2: 2023Q1 financial report was reviewed by CPA.

Note3: MSI did not carry out asset revaluation from 2018 to 2023Q1.

Note4: The resolution was reached by the Board of Directors on March 14, 2023.

(2) Condensed Balance Sheet (Stand alone)

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2022	2021	2020	2019	2018
Current assets		77,878,432	91,247,710	68,862,669	51,885,809	47,717,145
Property, plant and equipment (Note2)		2,669,341	2,654,661	2,660,668	2,567,030	2,363,138
Intangible assets		-	-	-	-	-
Other assets		11,659,994	10,767,475	9,335,885	8,254,456	7,497,489
Total assets		92,207,767	104,669,846	80,859,222	62,707,295	57,577,772
Current liabilities	Before distribution	43,366,626	57,233,945	44,922,050	31,246,204	27,296,657
	After distribution(Note3)	48,942,677	66,104,935	50,075,673	34,794,600	31,520,939
Non-current liabilities		442,552	355,581	397,320	448,626	335,254
Total liabilities	Before distribution	43,809,178	57,589,526	45,319,370	31,694,830	27,631,911
	After distribution(Note3)	49,385,229	66,460,516	50,472,993	35,243,226	31,856,193
Equity attributable to shareholders of the parent		48,398,589	47,080,320	35,539,852	31,012,465	29,945,861
Share capital		8,448,562	8,448,562	8,448,562	8,448,562	8,448,562
Capital surplus	Before distribution	805,068	804,516	804,214	803,918	1,226,049
	After distribution(Note3)	805,068	804,516	804,214	803,918	803,620
Retained earnings	Before distribution	39,848,080	38,729,036	26,961,534	22,554,510	20,777,216
	After distribution(Note3)	34,272,029	29,858,046	21,807,911	19,006,114	16,975,363
Other equity interest		(703,121)	(901,794)	(674,458)	(794,525)	(505,966)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	48,398,589	47,080,320	35,539,852	31,012,465	29,945,861
	After distribution(Note3)	42,822,538	38,209,330	30,386,229	27,464,069	25,721,579

Note1 : The above financial information for each year was audited by CPA.

Note2 : MSI did not carry out asset revaluation from 2018 to 2022.

Note3 : The resolution was reached by the Board of Directors on March 14, 2023.

2. Condensed Statement of Comprehensive Income

(1) Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2023 (Note2)
		2022	2021	2020	2019	2018	
Sales revenue		180,411,242	201,810,152	146,502,789	120,491,417	118,527,273	43,600,747
Net operating margin		25,728,080	38,244,276	21,302,840	15,862,156	16,129,686	6,079,580
Operating profit		10,695,886	19,974,644	9,187,828	5,952,406	6,691,950	2,780,064
Non-operating income and expenses		1,587,799	656,028	409,065	566,027	459,184	176,447
Profit before income tax		12,283,685	20,630,672	9,596,893	6,518,433	7,151,134	2,956,511
Income (Losses) from continuing operations for the year		9,962,520	16,921,005	7,959,505	5,587,210	6,041,129	2,464,477
Losses from discontinued operations		-	-	-	-	-	-
Profit for the year		9,962,520	16,921,005	7,959,505	5,587,210	6,041,129	2,464,477
Other comprehensive income for the year (Net of income tax)		226,187	(227,216)	115,982	(296,622)	(97,120)	40,891
Total comprehensive income for the year		10,188,707	16,693,789	8,075,487	5,290,588	5,944,009	2,505,368
Profit attributable to shareholders of the parent		9,962,520	16,921,005	7,959,505	5,587,210	6,041,129	2,464,477
Profit attributable to non-controlling interests		-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent		10,188,707	16,693,789	8,075,487	5,290,588	5,944,009	2,505,368
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-	-
Earnings per share (NT\$)		11.79	20.03	9.42	6.61	7.15	2.92

Note1: The above financial information for each year was audited by CPA.

Note2: 2023Q1 financial report was reviewed by CPA.

Note3: MSI did not capitalize its annual interest expense from 2018 to 2023Q1.

(2) Condensed Statement of Comprehensive Income (Stand alone)

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years (Note1)				
	2022	2021	2020	2019	2018
Sales revenue	177,538,166	197,058,352	144,805,966	118,740,373	116,988,422
Net operating margin	21,239,199	34,329,260	18,928,040	13,642,788	14,232,111
Operating profit	9,396,121	18,609,604	8,654,445	5,485,208	6,340,116
Non-operating income and expenses	2,653,718	1,656,070	773,635	919,011	689,118
Profit before income tax	12,049,839	20,265,674	9,428,080	6,404,219	7,029,234
Income (Losses) from continuing operations for the year	9,962,520	16,921,005	7,959,505	5,587,210	6,041,129
Losses from discontinued operations	-	-	-	-	-
Profit for the year	9,962,520	16,921,005	7,959,505	5,587,210	6,041,129
Other comprehensive income for the year (Net of income tax)	226,187	(227,216)	115,982	(296,622)	(97,120)
Total Comprehensive income for the year	10,188,707	16,693,789	8,075,487	5,290,588	5,944,009
Profit attributable to shareholders of the parent	9,962,520	16,921,005	7,959,505	5,587,210	6,041,129
Profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	10,188,707	16,693,789	8,075,487	5,290,588	5,944,009
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NT\$)	11.79	20.03	9.42	6.61	7.15

Note1: The above financial information for each year was audited by CPA.

Note2: MSI did not capitalize its annual interest expense from 2018 to 2022.

3. Auditors' Opinions from 2018 to 2022

Auditing Year	Accounting Firm	CPAs	Audit Opinion
2018	PricewaterhouseCoopers	Liang, Hua-Ling Lai, Chung-Hsi	Unqualified opinion with other matters paragraphs
2019	PricewaterhouseCoopers	Liang, Hua-Ling Lai, Chung-Hsi	Unqualified opinion with other matters paragraphs
2020	PricewaterhouseCoopers	Liang, Hua-Ling Lai, Chung-Hsi	Unqualified opinion with other matters paragraphs
2021	PricewaterhouseCoopers	Liang, Hua-Ling Lai, Chung-Hsi	Unqualified opinion with other matters paragraphs
2022	PricewaterhouseCoopers	Liang, Hua-Ling Lai, Chung-Hsi	Unqualified opinion with other matters paragraphs

(II) Five-Year Financial Analysis

1. Financial Analysis for Consolidated Report

Financial Analysis for Consolidated Report

Year		Financial Analysis in the past Five Years (Note1)					As of March 31,2023 (Note2)
		2022	2021	2020	2019	2018	
Item							
Financial structure %	Ratio of liabilities to assets	44.28	53.60	54.67	48.61	45.72	51.63
	Ratio of long-term capital to property, plant and equipment	891.19	836.18	705.74	648.29	641.74	853.05
Solvency %	Current ratio	208.81	173.89	169.13	188.25	199.30	180.06
	Quick ratio	125.09	99.29	99.71	103.70	104.68	114.19
	Times interest earned	32,224.29	110,389.06	30,141.93	27,783.82	49,733.08	79,320.55
Operating performance	Accounts receivable turnover	7.39	7.87	7.46	7.22	7.59	8.40
	Average collection period	49	46	49	51	48	43
	Inventory turnover (times)	4.49	4.92	4.91	4.56	5.19	4.96
	Accounts payable turnover (times)	5.28	5.35	5.26	5.92	6.61	5.55
	Average days in sales	81	74	74	80	70	74
	Property, plant and equipment turnover (times)	32.12	37.23	29.23	25.02	24.12	31.87
	Total assets turnover (times)	1.91	2.24	2.11	2.09	2.27	1.93
Profitability	Ratio of return on total assets (%)	10.59	18.83	11.51	9.71	11.60	10.93
	Ratio of return on equity (%)	20.87	40.96	23.92	18.33	20.92	21.04
	Ratio of Profit before tax to paid-in capital (%)	145.39	244.19	113.59	77.15	84.64	139.98
	Profit ratio (%)	5.52	8.38	5.43	4.64	5.10	5.65
	Earnings per share (NT\$)	11.79	20.03	9.42	6.61	7.15	2.92
Cash flow	Cash flow ratio (%)	41.55	23.48	25.66	32.40	0.34	8.64
	Cash flow adequacy ratio (%)	93.12	75.22	79.89	80.93	49.76	94.27
	Cash reinvestment ratio (%)	12.16	13.97	17.54	13.84	(10.00)	7.75
Leverage	Operating leverage	1.57	1.35	1.55	1.74	1.64	1.53
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Note1: The above financial information for each year was audited by CPA.

Note2: 2023Q1 financial report was reviewed by CPA.

Analysis of financial ratio differences over 20% for the last two years:

Current ratio	The increase was mainly due to decrease in current liabilities.
Quick ratio	The increase was mainly due to decrease in inventories and current liabilities.
Times interest earned	The decrease was mainly due to decrease in profit before income tax.
Ratio of return on total assets	The decrease was mainly due to decrease in profit for the year.
Ratio of return on equity	The decrease was mainly due to decrease in profit for the year.
Ratio of Profit before tax to paid-in capital	The decrease was mainly due to decrease in profit before income tax.
Profit ratio	The decrease was mainly due to decrease in profit for the year.
Earnings per share	The decrease was mainly due to decrease in profit for the year.
Cash flow ratio	The increase was mainly due to increase in net cash flow from operating activities and decrease in current liabilities.
Cash flow adequacy ratio	The increase was mainly due to increase in net cash flow from operating activities.

2. Financial Analysis for separate report

Financial Analysis for Stand Alone Report

Year		Financial Analysis in the past Five Years(Note)				
		2022	2021	2020	2019	2018
Financial structure %	Ratio of liabilities to assets	47.51	55.02	56.05	50.54	47.99
	Ratio of long-term capital to property, plant and equipment	1,829.71	1,786.89	1,350.68	1,225.58	1,281.39
Solvency %	Current ratio	179.58	159.43	153.29	166.05	174.81
	Quick ratio	133.64	90.53	89.86	88.90	89.52
	Times interest earned	46,698.24	182,345.27	44,061.95	47,524.61	77,951.74
Operating performance	Accounts receivable turnover (times)	5.42	7.31	7.10	6.96	7.32
	Average collection period	67	50	51	52	50
	Inventory turnover (times)	5.46	4.95	4.97	4.58	5.20
	Accounts payable turnover (times)	4.80	5.44	5.45	6.11	6.73
	Average days in sales	67	74	73	80	70
	Property, plant and equipment turnover (times)	66.69	74.15	55.40	48.17	49.40
	Total assets turnover (times)	1.80	2.12	2.02	1.97	2.15
Profitability	Ratio of return on total assets (%)	10.12	18.25	11.11	9.31	11.11
	Ratio of return on equity (%)	20.87	40.96	23.92	18.33	20.92
	Ratio of Profit before tax to paid-in capital (%)	142.63	239.87	111.59	75.80	83.20
	Profit ratio (%)	5.61	8.59	5.50	4.71	5.16
	Earnings per share (NT\$)	11.79	20.03	9.42	6.61	7.15
Cash flow	Cash flow ratio (%)	30.93	18.45	20.28	26.24	(3.62)
	Cash flow adequacy ratio (%)	83.82	64.83	67.52	70.28	37.15
	Cash reinvestment ratio (%)	9.22	11.31	15.36	12.49	(15.44)
Leverage	Operating leverage	1.51	1.32	1.48	1.63	1.54
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Note: The above financial information for each year was audited by CPA.

Analysis of financial ratio differences over 20% for the last two years:

Quick ratio	The increase was mainly due to decrease in inventories and current liabilities.
Times interest earned	The decrease was mainly due to decrease in profit before income tax.
Accounts receivable turnover (times)	Net sales decreased while average accounts receivable increased, causing the decrease in accounts receivable turnover (times).
Average collection period	The increase was mainly due to decrease in accounts receivable turnover (times).
Ratio of return on total assets	The decrease was mainly due to decrease in profit for the year.
Ratio of return on equity	The decrease was mainly due to decrease in profit for the year.
Ratio of Profit before tax to paid-in capital	The decrease was mainly due to decrease in profit before income tax.
Profit ratio	The decrease was mainly due to decrease in profit for the year.
Earnings per share	The decrease was mainly due to decrease in profit for the year.
Cash flow ratio	The increase was mainly due to increase in net cash flow from operating activities and decrease in current liabilities.
Cash flow adequacy ratio	The increase was mainly due to increase in net cash flow from operating activities.

Glossary:

1. Financial structure

(1) Ratio of liabilities to assets = Total liabilities / Total assets

(2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Accounts receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation).

(2) Average collection period = 365 / Accounts receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Accounts payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)

(5) Average days in sales = 365 / Inventory turnover

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

(7) Total assets turnover = Net sales / Average total assets

4. Profitability

(1) Ratio of return on total assets = [Net income (loss) + Interest expense x (1 - tax rate)] / Average total assets

(2) Ratio of return on Equity = Net income (loss) / Average total equity

(3) Profit ratio = Net income (loss) / Net sales

(4) Earnings per share = (Profit attributable to shareholders of the parent - preferred stock dividend) / Weighted average stock shares issued

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activity in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years

(3) Cash reinvestment ratio = (Net cash flow from operating activity - Cash dividend) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + working capital)

6. Leverage

(1) Operating leverage = (Net Sales revenue - Variable operating cost and expense) / Operating profit

(2) Financial leverage = Operating profit / (Operating profit - interest expense)

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PWC was retained to audit MSI's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Micro-Star International Co., Ltd.

Therefore, we are in accordance with Article #14-4 under the Securities and Exchange Act and Article #219 under Company Act, we hereby submit this report.

Micro-Star International Co., Ltd.

Chairman of the Audit Committee:

Hsu,Jun-Shyan

March 14, 2023

(IV) Financial statements in the most recent years : Please refer to page **114~176**

(V) Corporation-only financial report audited and attested by a CPA from the most recent year: Please refer to page **177~223**

(VI) State the financial position of the Company if any insolvency occurs in the Company or affiliates in the most recent year until the date this report is printed : None.

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

(I) Analysis of Financial Status

Comparison and Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	78,598,457	93,388,309	(14,789,852)	(15.84%)
Property, plant, and equipment	5,522,073	5,710,853	(188,780)	(3.31%)
Intangible assets	-	-	-	-
Other Assets	2,732,373	2,360,428	371,945	15.76%
Total Assets	86,852,903	101,459,590	(14,606,687)	(14.40%)
Current Liabilities	37,640,785	53,706,424	(16,065,639)	(29.91%)
Non-current liabilities	813,529	672,846	140,683	20.91%
Total Liabilities	38,454,314	54,379,270	(15,924,956)	(29.28%)
Equity attributable to shareholders of the parent	48,398,589	47,080,320	1,318,269	2.80%
Share capital	8,448,562	8,448,562	0	0.00%
Capital surplus	805,068	804,516	552	0.07%
Retained Earnings	39,848,080	38,729,036	1,119,044	2.89%
Other equity interest	(703,121)	(901,794)	198,673	22.03%
Treasury shares	-	-	-	-
Non-controlling interests	-	-	-	-
Total Equity	48,398,589	47,080,320	1,318,269	2.80%

(1) Analysis of significant changes in assets, liabilities and equity for the last two years:

Current liabilities: The decrease was mainly due to decrease in short-term borrowings, accounts payable, other payables, tax liabilities and refund liabilities.

Non-current liabilities: The increase was mainly due to increase in non-current lease liabilities.

Total liabilities: The decrease was mainly due to decrease in current liabilities.

Other equity interest: The increase was mainly due to increase of financial statements translation differences from foreign entities.

(2) Future plans for the major impact on financial position : The above deviations were caused by general business operations, having no major impact on MSI's financial position.

(II) Analysis of Financial Performance

Comparison and Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2022	2021	Amount	%
Sales revenue	180,411,242	201,810,152	(21,398,910)	(10.60%)
Net operating margin	25,728,080	38,244,276	(12,516,196)	(32.73%)
Operating profit	10,695,886	19,974,644	(9,278,758)	(46.45%)
Non-operating income and expenses	1,587,799	656,028	931,771	142.03%
Profit before income tax	12,283,685	20,630,672	(8,346,987)	(40.46%)
Income (Losses) from continuing operations	9,962,520	16,921,005	(6,958,485)	(41.12%)
Losses from discontinued operations	-	-	-	-
Profit for the year	9,962,520	16,921,005	(6,958,485)	(41.12%)
Other comprehensive income for the year (Net of income tax)	226,187	(227,216)	453,403	199.55%
Total comprehensive income for the year	10,188,707	16,693,789	(6,505,082)	(38.97%)
Profit attributable to shareholders of the parent	9,962,520	16,921,005	(6,958,485)	(41.12%)
Profit attributable to non-controlling interests	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	10,188,707	16,693,789	(6,505,082)	(38.97%)
Total comprehensive income attributable to Non-controlling interests	-	-	-	-
Earnings per share	11.79	20.03	(8.24)	(41.14%)

1. Analysis of significant changes in sales revenue, operating profit, and profit before income tax for the last two years:

Net operating margin: The decrease was mainly due to decrease in shipments and gross margin of computers and peripherals.

Operating profit: The decrease was mainly due to decrease in net operating margin.

Non-operating income and expenses: The increase was mainly due to increase in other income.

Profit before income tax: The decrease was mainly due to decrease in net operating income.

Income from continuing operations: The decrease was mainly due to decrease in net operating income.

Profit for the year: The decrease was mainly due to decrease in net operating income.

Other comprehensive income for the year: The increase was mainly due to increase of financial statements translation differences from foreign entities.

Total comprehensive income for the year: The decrease was mainly due to decrease in profit for the year.

Earnings per share: The decrease was mainly due to decrease in profit for the year.

2. Possible impact on financial performance and future plans:

There is no disadvantage on future finance and business.

(III) Analysis of Cash Flow

Unit : NT\$ thousands

Beginning cash balance (A)	Net cash flow from operating activities (B)	Cash inflow(outflow) (C)	Cash surplus (deficit) (A)+(B)+(C)	Remedial measures for the expected insufficient cash	
				Investment plan	Financing plan
23,654,801	15,639,296	(11,818,610)	27,475,487	-	-

1. Analysis of Cash flow change:

- (1) Operating activities: cash inflow 15,639,296
- (2) Investing activities: cash outflow 842,339
- (3) Financing activities: cash outflow 11,135,463
- (4) Exchange rate changes: cash inflow 159,192

2. Remedial actions for liquidity shortfall: Not Applicable.

Year	2022	2021	Variance
Cash flow ratio	41.55%	23.48%	76.96%
Cash flow adequacy ratio	93.12%	75.22%	23.80%
Cash reinvestment ratio	12.16%	13.97%	(12.96%)

Analysis of financial ratio change:

The increase in cash flow ratio was mainly due to increase in net cash flow from operating activities and decrease in current liabilities.

The increase in cash flow adequacy ratio was mainly due to increase in net cash flow from operating activities.

3. Cash flow analysis for the coming year:

Unit : NT\$ thousands

Beginning cash balance	Estimated net cash flow from operating activities	Estimated cash inflow(outflow)	Estimated Cash surplus (deficit)	Remedial measures for the expected insufficient cash	
				Investment plan	Financing plan
27,475,487	7,500,000	(6,200,000)	28,775,487	-	-

(1) Analysis of cash flow change in current period:

- A. Operating activities: Cash inflow this year is expected to be due to profit and working capital changes.
- B. Investing and financing activities : Cash outflow this year is expected to be due to the issuance of cash dividend and equipments.

(2) Remedial actions for liquidity shortfall: Not Applicable.

(IV) Recent years major capital expenditures and impact on financial and business: The Company had no capital expenditures that have a significant impact on the financial and business in 2022.

(V) Reinvestment in recent years:

1. The company's reinvestment policy for the most recent fiscal year:

The re-investment policy of the Company is meant mainly to explore overseas markets and provide in-depth services in major countries so that the revenue and worldwide market shares can be increased.

2. The main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability: Income from reinvested businesses of the Company in 2022 totaled NT\$677,380 thousand mainly due to worldwide inflation hurt consumer buying power, impact PC demand. Therefore, PC market shrunked dramatically in 2022 and subsidiaries' net income dropped a lot comparing with 2021.

3. Investment plans for the coming year: Currently, no significant investment plans will be processed this year.

(VI) Risk analysis and evaluation in recent years and up to the date of the annual report printed

1. The impact of interest rate, exchange rate, and inflation on the Company's income and expense and the responsive measures:

(1) Interest rate

The changing interest rate can impact the Company in two parts. As far as assets are concerned, income for the Company from cash and cash equivalents increases or decreases as the interest rate changes. For liabilities, expenditure on interest charged for short-term loans also increases or decreases as the interest rate changes. The impacts on the assets and liabilities from the changing interest rate as described above can be counterbalancing. If it is expected that the interest rate will significantly change, the Company can reduce its impact on the Company's profits and losses by adjusting durations of deposits and borrowings or through interest rate swap.

(2) Exchange rate

Sales of the Company are mainly export-oriented. Among them, more than 70% are priced in USD. Among the materials purchased, also more than 90% are paid in USD. The natural hedging ratio is high. Plus the current exchange rate hedging that is adopted to reduce risks associated with the changing exchange rate, the impacts of changing exchange rate on the Company are not too huge. The Company will continue to reduce the impacts that the changing exchange rate has on profits and losses by undertaking hedging transactions.

(3) Inflation

Generally speaking, inflation affects the purchasing power and willingness of consumers and reduces the demand for consumer products; it will have a negative influence on the overall revenue and profits and losses of the Company. Impacts of inflation, however, are comprehensive; that is, not only individual companies are affected. In other words, the government financial departments shall stipulate related measures with macroeconomics in mind. Nevertheless, the Company will devoted to bringing down its production cost in order to keep its revenue by introducing products at a price that can better inspire consumers to buy and to accordingly reduce the negative impacts that inflation has on the Company's profits and losses.

2. Conducting high-risk and high-leverage investment, granting loans to others, endorsement & guarantee and directives policy, root cause of profit and loss, and the responsive measures:

The Company's policy is not to undertake high-risk, high-leverage investments and not to lend funds to others or serve as endorser or guarantor. In terms of its policy on derivatives, it only engages itself in hedging transactions. The exchange rate hedging transactions the Company undertook in the most recent year accordingly reduced the impacts of the changing exchange rate on the Company's profits and losses. In the future, such undertaking will keep going in order to reduce the impacts that the volatility in exchange rate on the Company's profitability.

3.R&D plans and budgeted R&D expense :

Products development planned in 2023

(1)Products development

A. Motherboards

- Intel® 700 series motherboards support the 13th generation core processors.
- AMD® AM5 series motherboards support the Ryzen™ 7000 series processors.
- Development of add-on cards and accessory cards for the latest technology and new standards.
- Develop more functions and structures for easy user installation.
- Optimize motherboard intuitive hardware and software functions, such as: Smart Button, MSI Center.
- Continuously optimize BIOS functions and interfaces, such as: Memory Force, Frozr AI Cooling.

B. Professional Graphics Card and Professional Gaming Gears

- Development of more powerful and high-efficiency graphics cards.
- Development of graphics cards using advanced technology and components.
- Continue to develop cooling modules and fans with better cooling performance and low noise.
- Development of high-quality and functional graphics card products.
- Continuous improvement and integration of graphics card S/W applications.
- Development of SSD with high performance and better stability.
- Catering to the users' needs, we plan to develop professional Gaming and Creator Series products such as: "Keyboard", "Mouse", "Headset" and "Wireless Devices" with innovative functions and effects.
- Development of Professional Gaming peripherals, like "Gaming Control Devices", "Gaming Mouse Pad", etc.
- Development of Professional Creator Series peripherals, like "Wireless Bluetooth thin and light Keyboard", "Silent Wireless Mouse", "Wireless Earbuds", "Professional streaming Microphone", etc.
- Development of Professional Network equipment and peripherals, such as "E-sports router" and "E-sports wireless network card".

C. Servers

- Continue to develop the new generation Server and GPGPU system with Intel® and AMD® platform.
- Continue to develop the next generation firewall with AMD® platform.
- Development of the new generation Network application system, Workstation and Embedded System with Intel® and AMD® platform.
- Development of the Hybrid server system and Edge computing system with Intel® and AMD® platform.

D. Desktop Computers

- Development of desktop computers based on the latest Intel® platform.
- Development of the Metaverse concept gaming desktop computers.
- Continue to develop gaming desktop computers combined with AI technology to provide players with more convenient product use.
- Continue to develop MSI's exclusive cooling technology – Silent Storm Cooling.
- Expand new market opportunities and promote e-sports consoles to the Creator market.
- Development of Workstations suitable for the professional market.

E. Telematics and Automotive Electronics

- Next generation In-vehicle telematics gateway system.
- Next generation rugged tablet with AI capability.
- Marine network communication gateway.
- Intelligent wireless MOD car audio-visual system.
- Next-generation Intelligent Multiplexer Controller for Bus System.

F. Laptops

- Design professional notebook computers that enhance users gaming immersion.
- Expand the application of AI intelligence in related notebook computers.
- Design exclusive Creation notebooks for creators, and provide users with creative tools that can improve creative efficiency.
- Deeply cultivated in the development of professional mobile workstations and the connection with professional ISVs.
- Continue to deepen applications of notebook computer software and hardware under the concept of Metaverse.
- Optimize seamless laptop experience through innovative technology.

G. Monitors

- Optimize monitor color display technology and preset color adjustment.
- Integrate all MSI product lines' features and build a whole new MSI ECO System.

- Develop a new generation of VA panels with curved screens combined with fast liquid crystal, which can meet the needs of immersive gaming experience and e-sports at the same time.
- Develop consumer control CEC functions and strengthen the connection with the game console, to expand the market.
- Develop and optimize the PD (Power Delivery) charging solution to enhance the charging function with greater wattage.
- Develop Business series monitor with high refresh rate above 100Hz to enhance eye protection and user comfort.
- Develop a hardware blue light filter solution to enhance the eye protection effect and reduce the color loss of the display.
- Development of the OLED panel on Esports professional monitors.
- Development of the Mini LED technology and G-SYNC ULTIMATE monitors for Esports professionals.
- Develop a new generation of QD-OLED new quantum dot and OLED displays to enhance consumer entertainment experience.
- Develop Smart Sensor and Active Noise Cancellation (ANC) Business monitor to help users optimize the experience and improve work efficiency.
- Development of Curved business monitors that are designed for comfort and ease to protect users' eyes.
- Develop thin and light portable Business monitors to enhance the connection between products and handheld devices.

H. Others (Case, Liquid Cooler, Power Supply)

- Develop an AI intelligent sensor control device to provide better AI environment setting experience.
- Enhance the MSI Center software connection for all MSI products.
- From the perspective of user convenience, develop an ATX case that is easier to assemble and supports future peripheral accessories.
- Provide peripheral cable accessories for the installation of vertical graphics cards.
- Develop enhanced fan stop technology, for water cooling, chassis and power supply, allowing users to save energy and provide a quieter user experience in low-efficiency usage scenarios.
- Develop more functions and structures for easy user installation.
- Optimize the intuitive hardware and software functions of the case and computer components, such as: MSI CENTER.

I. AMR (Autonomous Mobile Robot)

- AMR Factory Automation related products.
- AMR Logistics and Warehouse Automation related products.

J. Smart Electric Vehicle Charger

- Electric vehicle charging products and cloud application solutions.
- Green energy applications and products.
- Smart parking management applications and products.

(2) Progress of unaccomplished R&D plans: Product design and development stage.

(3) Current progress of R&D projects yet to be completed: The overall progress is about 20% to 80% at present, depending on respective products involved.

(4) Major factors that affect the future success of R&D : A. Market factor B. Delayed key parts and components C. Shortage of parts and components.

(5) R&D budget in 2023 : NT\$4.49 billion

(6) Projection on mass production: 2022 ~ 2023 ◦

- 4.The impact of domestic and international policies and law change on the Company's finance and the responsive measures : None
- 5.The impact of technology change and industrial change on the Company's finance and the responsive measures : The Company always pays attention to the technological changes in its industry, and sets up the Information Security Committee to assign a member or form an ad hoc taskforce to evaluate the impact on the Company's future development, finance and business, and study the responsive measures. There is no significant technological changes that will have serious impact on the Company's finance and business.
- 6.The impact of industrial image change on business risk management and the responsive measures : None
- 7.The expected effect, potential risk, and responsive measures of merger : None
- 8.The expected effect, potential risk. and responsive measures of plant expansion : None
- 9.The risk relating to excessive concentration on procurement and customer : None
- 10.The impact of massive stock transfer or change by directors, supervisors, and shareholders with over 10% shareholding, the risk, and the responsive measures : None
- 11.The impact of right to operate change on the Company. The risk, and the responsive measures : None
- 12.Legal and non-legal events :
- (1)As of the publication date of annual report, whether the directors, supervisors, President, and shareholders with shareholding ratio over ten percent of the Company are involved in any significant litigation, non-litigation or administrative litigation cases, such cases have been sentenced or are currently pending, and the results thereof have a significant impact on shareholders' equity or securities price : None
- (2) Significant litigation, non-litigation or administrative litigation cases of the Company in the most recent years and up to the date, such cases that have been sentenced or are currently pending, and the results thereof that have a significant impact on shareholders' equity or securities price : None
- 13.Other significant risks and responsive measure :
- (1) Risk management policy: The Company's policy towards risk management is to evaluate possible impacts of the various risk matters on the profits and losses of the Company and to stipulate respective response policies accordingly.

Risk assessment	Impacts on profits and losses	Countermeasure
1. Financial risk	The Company has an optimal financial structure; its debt ratio is 44% and net worth reaches 48 billion. Financial risk is hence not high.	Continue with the optimal financial structure in order to reduce financial risk
(1) Market risk (including exchange rate and interest rate)	Major products of the Company are sold to Europe, Asia, and America; they are not overly focused on a specific single market. Therefore, market risk is not high.	Continue to diversify areas of distribution in order to reduce market risk
(2) Credit risk	The primary credit risk of the Company comes from accounts receivable from its customers. Insurance has been purchased for the accounts receivable as safety measure to reduce such risk. Therefore, credit risk is not high.	Continue to have accounts receivable covered by insurance as safety measure to reduce credit risk
(3) Liquidity risk	The current ratio of the Company is up to 208%; the liquidity risk is not high.	Continue with the optimal current ratio in order to reduce liquidity risk
(4) For the nature and extent of significant financial risks, refer to Pages 160~165 , 217~223 for details.		
2. Legal risk - domestic laws and regulations	The Labor Standards Act was revised on December 21, 2016. (One fixed day off and one flexible rest day)	With the implementation of the new system under the Labor Standards Act, companies follow the Labor Standards Act while calculating the service hours, days available for leave, and overtime for their employees and calculation of overtime for working on days off is added to the revised Act. In addition, service on days off is under strict control in order to meet regulatory requirements.
	Labor Incident Act implemented from Jan. 1, 2020	To comply with the Act, the Company holds seminars for managers in order to have better communication between

		<p>supervisors and staffs and minimize the labor cases. Meanwhile, employees and his/her supervisors may receive emails from the Company when employees work overtime. The email is indicating the Company's care and willing to assist. Supervisors of employees may evaluate if any adjustment needed for the job loading.</p>
<p>3. Evaluation of strategic and operational risks</p>	<p>The Company has successfully extended its business to displays, PC peripherals, servers, and auto-electronics from its core business of computer motherboards, display cards and laptops., among other diversified fields. As far as operation is concerned, as the management complexity increases, daily response mechanisms need to be developed for the evaluation of strategic and operational risks.</p> <p>In terms of management, the strategy is to extend core specialties and combine the many technologies researched and developed over the years and to keep track of demand on the market for the industry. The hope is to create another wave of growths for the Company and to bring about maximum benefits for the Company's shareholders.</p> <p>In order for strategic goals to be precisely fulfilled, the Company operates by connecting the value chain through its business departments and the functional main part when it comes to organization and operation. Annual goals are set according to the competition in the industry facing product business departments and managerial meetings are called for periodically to discuss the strategy and operational efficacy in order to adopt immediate countermeasures that help bring down operational risk.</p>	<p>(1) Periodically review the growths in core sectors Set goals for growth, market share, and profitability that are higher than industrial averages</p> <p>(2) Set reasonable return on investment based on the careful evaluation in advance and the management plan for a new business and demand that profits and losses reach a balance within a given period of time. Set phased strategic goals reflective of the nature of the sector involved, such as obtaining purchase orders from prospective customers, timely mass production, and securing a certain market share on the strategic target market.</p> <p>(3) Related departments meet on a monthly basis to review the operational efficacy and examine and adjust the strategies on a quarterly basis; related organizational adjustment is made right away for unachievable ones in order to control risk.</p> <p>(4) Keep timely track of daily operations around the world through the real-time information system, including shipment, stock and Inventory turnover, purchase order, operating fund, among others, and set the alert criteria.</p> <p>(5) Gather managers around the world periodically to discuss management strategies that concern where the Company will go next. High-ranking management is to adjust strategies taking into consideration resources available throughout the Company and the operational status.</p> <p>(6) We aim to improve information security protection and response capabilities to lower information security risks, through the Business Continuity Plan (BCP), regular testing, network management monitoring, external consulting services, and internal and external audits to ensure the system implementation, and employee education and training.</p>

4. Information security risk

The Company introduced ISO27001 in 2020 to establish relevant systems and documents in accordance with the specification content for compliance, after verification by a third party, the Company obtained the certificate on April 12, 2021

Item	Policy Document Name	Content
1	Handbook for information security	Guidelines for information security, covering information security policy, review and evaluation
2	Management procedures for information security	Structure and responsibilities of the information security organization, including: 1. Basic information security structure 2. Stakeholder group
3	Statement of suitability of information security	Implementation status of security control measures meeting ISO/IEC 27001 to strengthen the information security of the Company
4	Procedures for managing personal information security	Explanations about safety management processes before, during, and after the employment, or change of employment, including: 1. Word descriptions and safety of resource allocation 2. User training 3. Safety and failure event reactions
5	Management procedures for system access, development and maintenance	1. Access control for the information system. 2. Access control for program source code. 3. Data input/output controls. 4. System development, change and maintenance. 5. Maintenance for system management. 6. System capacity planning and monitoring. 7. Management of privileged tool programs. 8. Duty segregation.
6	Procedures of communication security	1. Network usage policy. 2. Network security management. 3. Network routing management. 4. Monitoring network facilities and the connection. 5. Regulations for security management of remote diagnosis. 6. Management for basic services of network facilities. 7. Email management. 8. Management of network firewall. 9. Management of network security audit. 10. Document control on network.
7	Measures for access control	1. Operational requirements of access control 2. User access management 3. User responsibility 4. Internet access control 5. Operating system access control measures 6. Application system access control 7. Monitoring system access and use 8. Mobile computer process, and remote work access control 9. Third party access security
8	Physical and environmental safety management	1. Security management for facility security. 2. Management of computer room security. 3. Maintenance of computer room. 4. Security management for storage media. 5. Security management for purchase order, procurement and maintenance of information software and hardware facilities. 6. Transfer and disposition of assets of information system (including scrapping, sale and loss). 7. Usage of portable storage media. 8. Protection of intellectual property rights, personal identification and privacy

9	Management procedures for continuous operation	<ol style="list-style-type: none"> 1. BCM planning and framework 2. Business impact analysis 3. Business Continuity Plans (BCP) preparation and implementation 4. BCP testing, maintenance, and revaluation
10	Procedures for managing information security incidents	<ol style="list-style-type: none"> 1. Information security breach management procedures 2. Information security breach handling and follow-up 3. Information security breach analysis and statistics
11	Procedures for internal audit	<ol style="list-style-type: none"> 1. Annual audit planning and schedule making 2. Security policy and technical conformity review 3. System and operation management audit considerations
12	Management procedures for public key certificate	<ol style="list-style-type: none"> 1. Management principles of public key certificate. 2. Principles of certificate agency selection. 3. Operation policy of the certificate agency.
13	Management procedures for evaluation of IT assets and risks	<ol style="list-style-type: none"> 1. Asset authentication 2. Risk analysis 3. Risk handling 4. Legal compliance
14	Management procedures for outsourced IT operation	<ol style="list-style-type: none"> 1. Security policy for outsourced IT operation. 2. Requirements and confidentiality agreement for outsourced IT operation.
15	Measure for IT operation management	<ol style="list-style-type: none"> 1. Principles of information hierarchy. 2. Principles of handling records of confidential information. 3. Methods for destroying information.
16	Procedures for managing operation security	<ol style="list-style-type: none"> 1. Change of management. 2. Capacity management. 3. Management of system environment (development, testing and operation). 4. Management for anti-virus software usage. 5. Backup management. 6. Log management. 7. Time sync management. 8. Management of technology vulnerability. 9. Management of software installation.
17	Procedures for auditing management system	Procedures and guidance for management review
5. Climate risks	<p>The probability and severity of natural disasters (including drought, mites, snowstorms, high temperature/heat waves, typhoons/strong rainfall) brought about by extreme weathers may affect the Company's production and operations. The risks may include production constraints, operations, equipment, and investment cost rise and inefficiency, etc. There is no significant impact at present.</p>	<p>For impacts of climate change to the electronics industry, risk analysis and extreme event impacts are important issues from the disaster perspectives. We have made the disclosure based on the framework including "governance, strategy, risk management, metrics & targets recommend in Task Force on Climate-Related Financial Disclosures (TCFD) from the Financial Stability Board (FSB).</p> <p>We also conducted impact analysis in vulnerability and risk assessments, applying factors for climate and environmental changes, in order to examine the current protection for better risk control, as well as new business opportunities. Disclosed in the Sustainability Report:</p> <p>https://tw.msi.com/about/company/Despite the fact that MSI is not an energy-intensive manufacturer, In addition to actively announcing its controls of greenhouse gas emission and signing covenants, MSI also develops the strategies of reducing greenhouse gas during production and operation.</p>

		<p>(1) Management Strategy</p> <ul style="list-style-type: none"> ● Resilience to climate change: Implement risk identification, response and prevention measures in relation to climate change and avoid impact to operations. ● Promote low-carbon production: Adopt optimized technologies to reduce greenhouse gas emission, and set reduction goals. ● Incorporate green energy equipment: Acquire and utilize renewable energy equipment such as solar-powered heaters to reduce dependency on power grid. ● Improve energy efficiency: Devise energy and carbon reduction measures and enforce action plans for improved energy efficiency. <p>(2) Control Measures</p> <ul style="list-style-type: none"> ● Identification、evaluation and analysis of impacts and risks associated with future climate. ● Adaptation planning and review. ● Energy/resource coordination. ● New protection facilities or improved disaster prevention equipment. ● Regular examination of asset and commercial insurance coverage to determine whether they are adequate for compensating losses caused by climate change.
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(2) Organizational structure of risk management

Our risk management policy is to evaluate the likely impacts to the Company's operations in the course of operating activities and to formulate countermeasures accordingly. Through the Board's approval on November 11, 2022, our "Risk Management Policy and Procedures" has been established to serve as the guideline for risk management operation, which will be supervised by the Audit Committee with no less than one relevant reporting made to the Board every.

The Company has the "Continued Operational Management Procedure" in place to help reduce impacts and damages derived from emergency events facing the organization and to ensure normal operations of the Company for the sake of sustainable management, according to the three aspects of economy, environment, and society, risk policies are divided into financial, business management, ethical integrity, information security, climate change, suppliers, human resources, occupational safety and health, and other areas and legal compliances. Risk control measures include the Code of Corporate Governance, Code of Corporate Social Responsibility, Code of Integrity Management, and Code of Ethical Conduct have all been approved by the Company's Board of Directors.

The organization structure of the Company's risk management is implemented and operated by the President who coordinates and directs the risk management plan. The businesses and units responsible for management under the President are responsible for assessing the operational risks, production risks, environmental safety risks, information security risks, climate change risks, etc. and executes daily risk management. The President reports to the board of directors at least once a year.

Risk controlled management by functions:

A. Board of Directors: The Board is the top decision management of the whole Group's risk controlled. To cope with the whole operational risk and business environment, the Board rules the risk management policy and supervise the operational risk can be controlled effectively and improve the management efficiency.

B. Internal Audit office: Responsible for the internal control system's establishment and implement, Internal Audit procedures' planning and execution, strengthen internal control function and make sure the effect contributes continuously to achieve the Group's operation performance effective and efficiency and business result is reliable, on time, disclosure in line with Authority's regulations.

C. Finance: Responsible for the Group's financial operation, cash management and risk management to minimize the financial risk. Plan for the short, mid, long term finance and investment strategy.

D. Legal: Responsible not only documentation's legal compliance, but also legal risk management, to comply with government's supervision and handle contracts and law suits dispute to minimize the Group's legal risk.

E. Information: Responsible for the Group's IT hardware and software's planning, establishment, operation and maintenance. Evaluate each kind of information risks and take necessary actions to make sure the safety and minimize the risk.

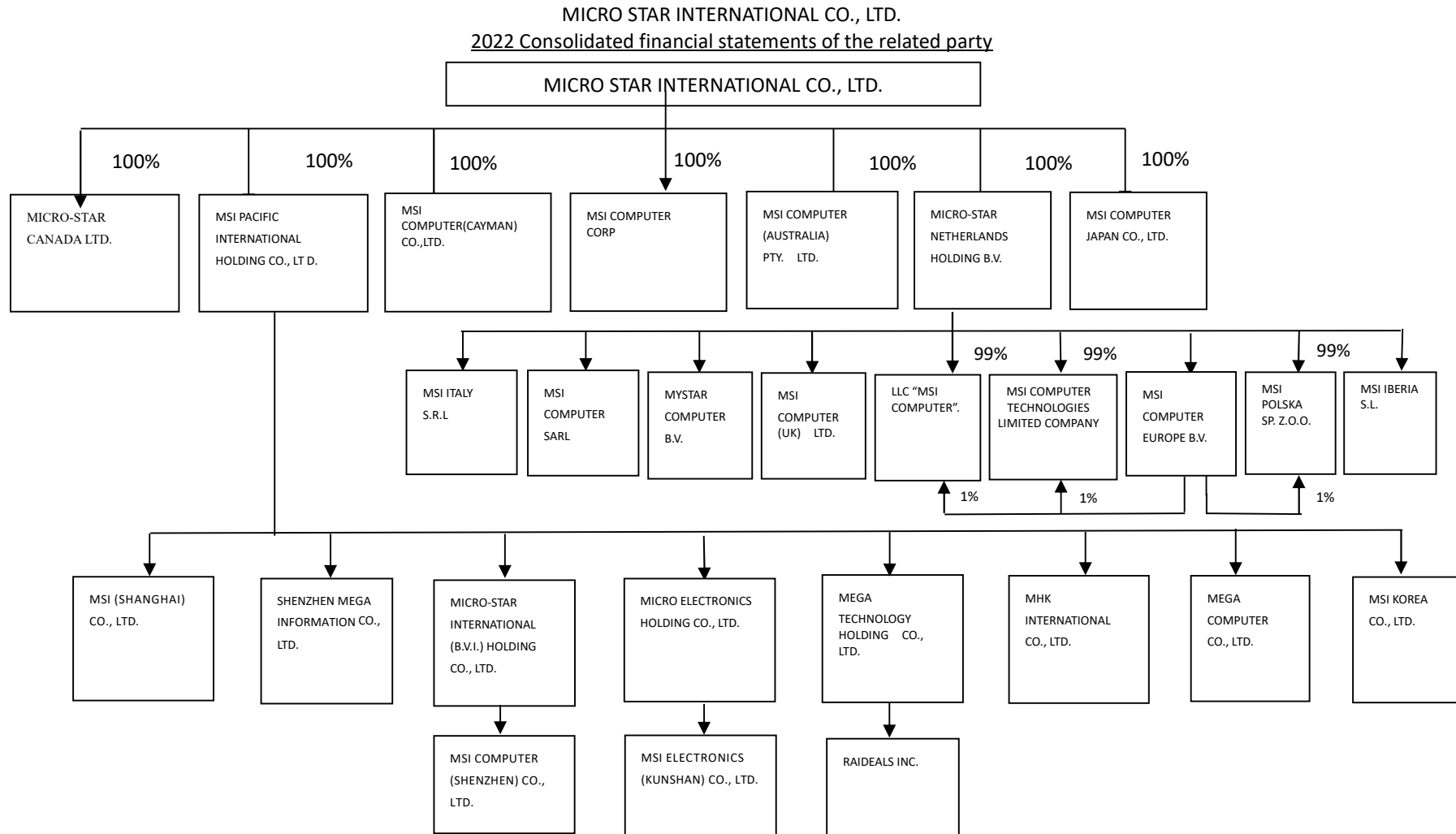
F. Business: Responsible for marketing strategy, products promotion and control the market trend to minimize the operation risk.

(VII) Other material events : None

VIII.Special disclosures

(I)Related party

1、Organizational structure of related party:



2. Company profile of related party

(Unit: thousands)

Name of corporation	Date of Establishment	Address	Capital	Major Business Scope
MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD.	1998.02.04	TORTOLA, BRITISH VIRGIN ISLANDS	USD 47,521	Holding company
MSI COMPUTER CORP.	1998.03.25	CA, U.S.A.	USD 460	Sales and after-sales service of computers and electronic components
MYSTAR COMPUTER B.V.	1998.05.28	EINDHOVEN, THE NETHERLANDS	EUR 2,027	Sales support of computers and electronic components
MSI COMPUTER (AUSTRALIA) PTY. LTD.	1998.07.31	NSW, AUSTRALIA	AUD 222	Sales support and after-sales service of computers and electronic components
MICRO-STAR NETHERLANDS HOLDING B.V.	1998.12.21	EINDHOVEN, THE NETHERLANDS	EUR 1,102	Holding company
MSI COMPUTER JAPAN CO., LTD.	1999.01.21	TOKYO, JAPAN	JPY 20,000	Sales support and after-sales service of computers and electronic components
MSI COMPUTER SARL	1993.10.01 (1999.6.30 purchase)	JOSSIGNY, FRANCE	EUR 730	Sales support of computers and electronic components
MSI COMPUTER (SHENZHEN) CO., LTD.	2000.04.12	SHENZHEN, CHINA	USD 51,800	Manufacture and after-sales service of computers and electronic components
MSI COMPUTER (CAYMAN) CO., LTD.	2001.02.13	GEORGE TOWN, CAYMAN ISLANDS	USD 3,040	Holding company
MSI COMPUTER (UK) LTD.	2000.10.12	LONDON, UK	EUR 1,130	Sales support of computers and electronic components
MSI ELECTRONICS (KUNSHAN) CO., LTD.	2001.12.18	KUNSHAN, CHINA	USD 51,000	Manufacture and after-sales service of computers and electronic components
MSI COMPUTER EUROPE B.V.	2002.04.09	EINDHOVEN, THE NETHERLANDS	EUR 1,149	Logistic
STAR INFORMATION HOLDING CO., LTD.	2002.06.14	TORTOLA, BRITISH VIRGIN ISLANDS	-	Deregistration in April 2022
MICRO ELECTRONICS HOLDING CO., LTD.	2002.06.14	TORTOLA, BRITISH VIRGIN ISLANDS	USD 33,315	Holding company
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	2002.06.18	GEORGE TOWN, CAYMAN ISLANDS	USD 30,204	Holding company

MSI KOREA CO., LTD.	2002.12.27	SEOUL,KOREA	KRW800,000	Sales and after-sales service of computers and electronic components
SHENZHEN MEGA INFORMATION CO., LTD.	2003.11.19	SHENZHEN,CHINA	USD 700	After-sales service of computers and electronic components
MSI POLSKA SP. Z O.O.	2006.04.24	WROCLAWSKIE,POLAND	EUR1,171	Sales support and after-sales service of computers and electronic components
MEGA TECHNOLOGY HOLDING CO., LTD.	2008.04.01	TORTOLA,BRITISH VIRGIN ISLANDS	USD3,050	Holding company
MEGA COMPUTER CO., LTD.	2008.02.25	HONG KONG	HKD	Sales support of computers and electronic components
LLC "MSI COMPUTER"	2009.10.09	MOSCOW,RUSSIA	EUR1,647	Sales support and after-sales service of computers and electronic components
MSI COMPUTER TECHNOLOGIES LIMITED COMPANY	2010.11.04	ISTANBUL,TURKEY	EUR77	under liquidation
MSI ITALY S.R.L.	2010.11.12	BERGAMO,ITALY	EUR50	Sales support of computers and electronic components
MHK INTERNATIONAL CO., LTD.	2008.02.25	HONG KONG	HKD	Sales support of computers and electronic components
MSI (SHANGHAI) CO., LTD.	2017.12.12	SHANGHAI, CHINA	USD 1,000	Sales and after-sales service of computers and electronic components
RAIDEALS INC.	2018.03.23	CA, U.S.A.	USD 50	Sales of computers and electronic components
MSI IBERIA S.L.	2019.05.06	BARCELONA, SPAIN	EUR 150	Sales support of computers and electronic components
MICRO-STAR CANADA LTD.	2020.01.30	CANADA	CAD100	Sales support and after-sales service of computers and electronic components

3.A controlling and hierarchical relationship according to Article 369.3 of Company Law : None

4. Business scope of MSI Group:

MICRO-STAR NETHERLANDS HOLDING B.V. 、 MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO.,LTD. 、 MSI COMPUTER (CAYMAN) CO.,LTD. 、 MICRO ELECTRONICS HOLDING CO., LTD. 、 MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. 、 MEGA TECHNOLOGY HOLDING CO., LTD. are holding and investment company. MSI headquarter and rest of affiliated companies are focused in IT industry. MSI Headquarter is focused on manufacturing and sales, MSI COMPUTER (SHENZHEN) CO., LTD. and MSI ELECTRONICS (KUNSHAN) CO., LTD. are MSI's contract manufacture, SHENZHEN MEGA INFORMATION CO., LTD. is worldwide repair center, rest overseas companies are focus on sales and marketing, selling MSI own brand products.

5.Directors, Supervisors and Presidents of related party

Unit : shares

Name of corporation	Title	Name of representative	Shareholding	
			Shares	%
MICRO STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD.	Director & President	MICRO STAR INTERNATIONAL CO., LTD. Representative : Yu,Hsien-Neng	0 0	0% 0%
MSI COMPUTER CORP.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Tung,Ti-Chun	575,458 0	100% 0%
	Director	Huang,Chin-Ching	0	0%
	Director	Yu,Hsien-Neng	0	0%
MYSTAR COMPUTER B.V.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0 0	0% 0%
	Director	Wang,Ming-Jung	0	0%
MSI COMPUTER (AUSTRALIA) PTY. LTD.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Huang,Chin-Ching	221,836 0	100% 0%
	Director	Lin,Wen-Tung	0	0%
MICRO-STAR NETHERLANDS HOLDING B.V.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hsu,Hsiang	424,000 0	100% 0%
MSI COMPUTER JAPAN CO., LTD.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Lin,Wen-Tung	1,400 0	100% 0%
	Supervisor	Liu, Chu-Hao	0	0%
MSI COMPUTER SARL	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0 0	0% 0%
	Director	Wang,Ming-Jung	0	0%
MSI COMPUTER (SHENZHEN) CO., LTD.	Executive Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Yu,Hsien-Neng	0 0	0% 0%
	Supervisor	Hung, Pao-Yu	0	0%
	President	Li, Chao-Ming	0	0%
MSI COMPUTER (CAYMAN) CO., LTD.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Huang,Chin-Ching	50,000 0	100% 0%
MSI COMPUTER (UK) LTD.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0 0	0% 0%
	Director	Wang,Ming-Jung	0	0%

MSI ELECTRONICS (KUNSHAN) CO., LTD.	Executive Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Huang,Chin-Ching	0	0%
	Supervisor	Liu,Chu-Hao	0	0%
	President	Li, Chao-Ming	0	0%
MSI COMPUTER EUROPE B.V.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0	0%
STAR INFORMATION HOLDING CO., LTD.	Deregistration			
MICRO ELECTRONICS HOLDING CO., LTD.	Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hung, Pao-Yu	0	0%
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hung, Pao-Yu	30,204,118	100%
MSI KOREA CO., LTD.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Kung,Fan-Shu	0	0%
	Supervisor	Liu, Chu-Hao	0	0%
SHENZHEN MEGA INFORMATION CO., LTD.	Executive Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Yu,Hsien-Neng	0	0%
	Supervisor	Hung, Pao-Yu	0	0%
	President	Li, Chao-Ming	0	0%
MSI POLSKA SP. Z O.O.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Yu,Hsien-Neng	0	0%
MEGA TECHNOLOGY HOLDING CO., LTD.	Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hung, Pao-Yu	0	0%
MEGA COMPUTER CO., LTD.	Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hung, Pao-Yu	0	0%
LLC "MSI COMPUTER"	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0	0%
	Director	Wang,Ming-Jung	0	0%
MSI COMPUTER TECHNOLOGIES LIMITED COMPANY	liquidator	Cevat Binici	0	0%
MSI ITALY S.R.L.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0	0%
	Director	Wang,Ming-Jung	0	0%
MHK INTERNATIONAL CO., LTD.	Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hung, Pao-Yu	0	0%

MSI (SHANGHAI) CO., LTD.	Executive Director	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Wang, Yu-Pao	0	0%
	Supervisor	Hung,Pao-Yu	0	0%
RAIDEALS INC.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Hung, Pao-Yu	0	0%
	Director	Wang,Ming-Jung	0	0%
MSI IBERIA S.L.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Chiu, Chih-Chien	0	0%
	Director	Wang,Ming-Jung	0	0%
MICRO-STAR CANADA LTD.	Director & President	MICRO STAR INTERNATIONAL CO.,LTD. Representative : Tung,Ti-Chun	100,000	100%
	Director	Liu,Yu-Hsien	0	0%

6.Business operation of the related party

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of corporation	Capital (unit: thousands)	Total Assets	Total Liabilities	Net Worth	Revenue	Operating Income (Loss)	Net Income (Loss)	Earning(Loss) Per Share NTD (after tax)
MICRO-STAR INTERNATIONAL (B.V.I.) HOLDING CO., LTD.	USD47,521 (Rate30.71)	5,729,988	0	5,729,988	0	(54)	681,065	0.47 (Note2)
MSI COMPUTER CORP.	USD 460 (Rate30.71)	17,376,258	17,180,632	195,626	38,800,294	(12,336)	(15,353)	(1.09) (Note2)
MYSTAR COMPUTER B.V.	EUR2,027 (Note1) (Rate32.72)	447,876	232,429	215,447	2,387,590	25,546	24,431	0.37 (Note2)
MSI COMPUTER (AUSTRALIA) PTY.LTD.	AUD222 (Rate20.83)	25,602	13,717	11,885	57,844	2,768	1,802	0.39 (Note2)
MICRO-STAR NETHERLANDS HOLDING B.V.	EUR1,102 (Note1) (Rate32.72)	817,731	64,675	753,056	194,519	(2,774)	46,752	1.30 (Note2)
MSI COMPUTER JAPAN CO., LTD.	JPY20,000 (Rate0.2324)	80,594	57,744	22,850	181,209	7,252	3,606	0.78 (Note2)
MSI COMPUTER SARL	EUR730 (Note1) (Rate32.72)	120,395	69,402	50,993	137,090	6,555	5,489	0.23 (Note2)
MSI COMPUTER (SHENZHEN) CO., LTD.	USD51,800 (Rate30.71)	21,679,107	16,111,109	5,567,998	81,838,818	940,405	681,064	0.43 (Note2)
MSI COMPUTER (CAYMAN) CO., LTD.	USD3,040 (Rate30.71)	129,053	1,061	127,992	10,007	1,851	935	0.01 (Note2)
MSI COMPUTER (UK) LTD.	EUR1,130 (Note1) (Rate32.72)	67,070	39,208	27,862	105,969	5,046	5,173	0.14 (Note2)

MSI ELECTRONIC (KUNSHAN) CO., LTD.	USD51,000 (Rate30.71)	16,115,282	12,675,267	3,440,015	50,334,863	591,852	298,214	0.19 (Note2)
MSI COMPUTER EUROPE B.V.	EUR1,149 (Rate32.72)	94,461	36,857	57,604	256,908	2,973	2,120	0.06 (Note2)
STAR INFORMATION HOLDING CO., LTD.	USD- (Rate30.71)	0	0	0	0	(49)	(47)	- (Note3)
MICRO ELECTRONICS HOLDING CO., LTD.	USD33,315 (Rate30.71)	3,548,149	0	3,548,149	0	(54)	298,192	0.29 (Note2)
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	USD30,204 (Rate30.71)	9,987,548	680,431	9,307,117	0	(451)	864,917	0.93 (Note2)
MSI KOREA CO., LTD.	KRW800,000 (Rate0.0244)	611,466	236,439	375,027	6,236,191	(9,388)	(5,151)	(0.26) (Note2)
SHENZHEN MEGA INFORMATION CO., LTD.	USD700 (Rate30.71)	36,057	12,178	23,879	44,292	38	571	0.03 (Note2)
MSI POLSKA SP. Z O.O.	EUR1,171 (Note1) (Rate32.72)	51,426	13,160	38,266	192,832	5,405	3,459	0.09 (Note2)
MEGA TECHNOLOGY HOLDING CO., LTD.	USD3,050 (Rate30.71)	6,019	0	6,019	0	(54)	(170)	(0.00) (Note2)
MEGA COMPUTER CO., LTD.	HKD- (Rate3.938)	2,594,100	2,590,074	4,026	9,602,544	(433)	(41)	- (Note2)
LLC "MSI COMPUTER"	EUR1,647 (Rate32.72)	66,359	21,551	44,808	103,766	6,722	3,667	0.07 (Note2)

MSI COMPUTER TECHNOLOGIES LIMITED COMPANY	EUR77 (Rate32.72)	3	21	(18)	0	0	0	0
								(Note4)
MSI ITALY S.R.L.	EUR50 (Rate32.72)	37,368	29,605	7,763	69,294	3,342	2,227	1.36
								(Note2)
MHK INTERNATIONAL CO., LTD.	HKD- (Rate3.938)	91,920	60,405	31,515	180,339	8,203	5,072	-
								(Note2)
MSI (SHANGHAI) Co., LTD.	USD1,000 (Rate30.71)	2,785,942	2,866,157	(80,215)	11,018,137	(78,404)	(79,235)	(2.58)
								(Note2)
RAIDEALS INC.	USD50 (Rate30.71)	11,776	9,357	2,419	121,630	280	203	0.13
								(Note2)
MSI IBERIA S.L.	EUR150 (Rate32.72)	30,369	18,956	11,413	61,045	2,898	1,526	0.31
								(Note2)
Micro-Star Canada Ltd.	CAD100 (Rate22.67)	50,955	42,966	7,989	90,299	3,663	2,640	1.16
								(Note2)

Note 1 : Capital includes surplus.

Note 2 : Earnings per share was calculated based on each NTD of capital instead of each share.

Note 3: In April 2022, STAR INFORMATION HOLDING CO., LTD. has completed the deregistration process.

Note 4: MSI COMPUTER TECHNOLOGIES LIMITED COMPANY is under liquidation.

7.Consolidated Financial Statements of the parent company and subsidiaries : Please refer to page 114~176

8.Related Party Report : Not Applicable

9.Affiliated companies' transaction on guarantee, endorsement, loans to others and derivatives: please refer to page 165

(II)Subscription of marketable securities privately in the most recent years and up to the date of the report printed : None

(III)Status of MSI Common Shares Acquired, Disposed of, and Held by Subsidiaries: None

(IV)Other Necessary Supplement: None.

(V)Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholders' equity or security price in the most recent years and up to the date of the report printed : None.

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2022 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries do not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

MICRO-STAR INTERNATIONAL CO., LTD.

By

Joseph Hsu, Chairman

March 14, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's 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 Accountants in the Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. Based on our audits and the audit reports of other independent auditors, we believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recognition of sales revenue generated from own-brand products

Description

Please refer to Note 4(27) for accounting policies on revenue recognition. Other than international brands, the Group sells its products to customers in various countries. The Group also actively develops own-brand products. The recognition of sales revenue generated from own-brand products is critical to the Group's consolidated financial statements. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated the operating effectiveness of those above-mentioned internal controls.
- B. Obtained detailed listing of sales revenue from own-brand products in the current year, and sampled to validate supporting documents, including sales invoices, customer purchase orders and delivery documents to ensure the appropriateness of recognition.
- C. Inspected contents and relevant evidences in relation to sales returns and discounts occurring subsequent to the reporting period.
- D. Performed accounts receivable confirmation procedure to significant customers.

Estimation of allowance for inventory valuation losses

Description

Please refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(7) for details of inventories. As of December 31, 2022, the balances of inventories and allowance for inventory valuation losses are NT\$30,480,028 thousand and NT\$1,184,873 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of motherboards, interface cards, notebook computers and other electronic products. Due to the rapid technological innovations and competition within the industry as well as frequent releases of new products resulting in potential price fluctuations, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. The monetary values of allowance for inventory valuation losses is critical to the financial statements as of December 31, 2022. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Inquired with management, and assessed the reasonableness in relation to the provision of allowance for inventory valuation losses.
- B. Validated the accuracy of the system logic in calculating the ageing of inventories, and confirmed the consistency with the Group's policies.
- C. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with the Group's policies.

D. Sampled and tested the net realisable value basis of the individual inventory and validated the appropriateness.

Other matter –Reference to audits of other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. Total assets of the above-mentioned entities (including investments accounted for under the equity method) amounted to NT\$19,245,391 thousand and NT\$21,787,195 thousand as of December 31, 2022 and 2021, constituting 22% and 21% of consolidated total assets, respectively. Sales revenue of the above-mentioned entities amounted to NT\$46,950,980 thousand and NT\$46,487,205 thousand for the years ended December 31, 2022 and 2021, constituting 26% and 23% of consolidated total sales revenue, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion with other matter section on the parent company only financial statements of MICRO-STAR INTERNATIONAL CO., LTD. as of and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Independent auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 judgement and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 27,475,487	32	\$ 23,654,801	23
1110	Financial assets at fair value through profit or loss - current	6(2)	297,392	-	98,813	-
1136	Current financial assets at amortised cost	6(4)	454	-	432	-
1150	Notes receivable, net	6(5)	179,588	-	93,220	-
1170	Accounts receivable, net	6(5)	18,826,732	22	29,590,087	29
1200	Other receivables		298,360	-	292,862	1
1220	Current income tax assets		6,171	-	3,893	-
130X	Inventories, net	6(7)	29,295,155	34	37,939,662	37
1410	Prepayments	6(8)	2,219,118	3	2,125,713	2
11XX	Total current assets		<u>78,598,457</u>	<u>91</u>	<u>93,799,483</u>	<u>92</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	71,791	-	104,847	-
1535	Non-current financial assets at amortised cost	6(4) and 8	654,607	1	601,754	1
1600	Property, plant and equipment	6(9)	5,522,073	6	5,710,853	6
1755	Right-of-use assets	6(10)	633,607	1	390,801	-
1760	Investment property - net	6(12)	96,348	-	145,917	-
1840	Deferred income tax assets	6(26)	1,142,233	1	1,004,168	1
1900	Other non-current assets		133,787	-	112,941	-
15XX	Total non-current assets		<u>8,254,446</u>	<u>9</u>	<u>8,071,281</u>	<u>8</u>
1XXX	Total assets		<u>\$ 86,852,903</u>	<u>100</u>	<u>\$ 101,870,764</u>	<u>100</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(13)	\$ -	-	\$ 2,000,000	2
2120	Financial liabilities at fair value through profit or loss - current	6(2)	167,284	-	15,708	-
2130	Current contract liabilities	6(20)	1,297,414	2	455,924	-
2170	Accounts payable		24,670,649	28	33,931,186	33
2200	Other payables	6(14)	5,918,276	7	7,891,676	8
2230	Current income tax liabilities		515,756	1	2,999,077	3
2250	Provision for liabilities - current	6(16)	1,139,739	1	1,203,497	1
2280	Current lease liabilities		222,272	-	192,852	-
2365	Refund liabilities- current		3,600,984	4	4,733,204	5
2399	Other current liabilities, others		108,411	-	694,474	1
21XX	Total current liabilities		<u>37,640,785</u>	<u>43</u>	<u>54,117,598</u>	<u>53</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(26)	12,694	-	17,136	-
2580	Non-current lease liabilities		358,411	1	145,314	-
2640	Net defined benefit liability, non-current	6(15)	169,988	-	211,818	-
2670	Other non-current liabilities, others		272,436	-	298,578	1
25XX	Total non-current liabilities		<u>813,529</u>	<u>1</u>	<u>672,846</u>	<u>1</u>
2XXX	Total liabilities		<u>38,454,314</u>	<u>44</u>	<u>54,790,444</u>	<u>54</u>
Equity attributable to owners of parent						
	Share capital	6(17)				
3110	Share capital - common stock		8,448,562	10	8,448,562	8
	Capital surplus	6(18)				
3200	Capital surplus		805,068	1	804,516	1
	Retained earnings	6(19)				
3310	Legal reserve		8,028,953	9	6,336,840	6
3320	Special reserve		901,794	1	674,458	1
3350	Unappropriated retained earnings		30,917,333	36	31,717,738	31
	Other equity interest					
3400	Other equity interest		(703,121)	(1)	(901,794)	(1)
31XX	Equity attributable to owners of the parent		<u>48,398,589</u>	<u>56</u>	<u>47,080,320</u>	<u>46</u>
3XXX	Total equity		<u>48,398,589</u>	<u>56</u>	<u>47,080,320</u>	<u>46</u>
3X2X	Total liabilities and equity		<u>\$ 86,852,903</u>	<u>100</u>	<u>\$ 101,870,764</u>	<u>100</u>

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20)	\$ 180,411,242	100	\$ 201,810,152	100
5000	Operating costs	6(7)(24)	(154,683,162)	(86)	(163,565,876)	(81)
5900	Net operating margin		<u>25,728,080</u>	<u>14</u>	<u>38,244,276</u>	<u>19</u>
	Operating expenses	6(24)				
6100	Selling expenses		(8,884,636)	(5)	(11,203,377)	(5)
6200	General and administrative expenses		(1,704,253)	(1)	(1,873,387)	(1)
6300	Research and development expenses		(4,396,924)	(2)	(5,179,451)	(3)
6450	Expected credit loss		(46,381)	-	(13,417)	-
6000	Total operating expenses		(15,032,194)	(8)	(18,269,632)	(9)
6900	Operating profit		<u>10,695,886</u>	<u>6</u>	<u>19,974,644</u>	<u>10</u>
	Non-operating income and expenses					
7100	Interest income	6(4)(21)	145,683	-	72,045	-
7010	Other income	6(22)	639,825	-	872,154	-
7020	Other gains and losses	6(23)	840,529	1	(269,465)	-
7050	Finance costs		(38,238)	-	(18,706)	-
7000	Total non-operating income and expenses		<u>1,587,799</u>	<u>1</u>	<u>656,028</u>	<u>-</u>
7900	Profit before income tax		<u>12,283,685</u>	<u>7</u>	<u>20,630,672</u>	<u>10</u>
7950	Income tax expense	6(26)	(2,321,165)	(1)	(3,709,667)	(2)
8200	Profit for the year		<u>\$ 9,962,520</u>	<u>6</u>	<u>\$ 16,921,005</u>	<u>8</u>
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan	6(15)	\$ 34,392	-	\$ 150	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(33,056)	-	(19,491)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)	(266)	-	9,395	-
8310	Components of other comprehensive gain (loss) that will not be reclassified to profit or loss		<u>1,070</u>	<u>-</u>	<u>(9,946)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		225,117	-	(217,270)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>225,117</u>	<u>-</u>	<u>(217,270)</u>	<u>-</u>
8300	Total other comprehensive income (loss) for the year		<u>\$ 226,187</u>	<u>-</u>	<u>(\$ 227,216)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 10,188,707</u>	<u>6</u>	<u>\$ 16,693,789</u>	<u>8</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 9,962,520</u>	<u>6</u>	<u>\$ 16,921,005</u>	<u>8</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 10,188,707</u>	<u>6</u>	<u>\$ 16,693,789</u>	<u>8</u>
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		<u>\$</u>	<u>11.79</u>	<u>\$</u>	<u>20.03</u>
9850	Diluted earnings per share		<u>\$</u>	<u>11.65</u>	<u>\$</u>	<u>19.78</u>

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
	Notes	Capital surplus				Retained earnings			Other equity interest			Total equity
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Donated assets received	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2021</u>												
Balance at January 1, 2021		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,028	\$ 44,460	\$ 5,541,298	\$ 794,525	\$ 20,625,711	(\$ 646,821)	(\$ 27,637)	\$ 35,539,852
Profit for the year		-	-	-	-	-	-	-	16,921,005	-	-	16,921,005
Other comprehensive income (loss) for the year		-	-	-	-	-	-	120	(217,270)	(10,066)	(227,216)	-
Total comprehensive income (loss)		-	-	-	-	-	-	16,921,125	(217,270)	(10,066)	16,693,789	-
Appropriation of 2020 earnings	6(19)											
Legal reserve		-	-	-	-	795,542	-	(795,542)	-	-	-	-
Special reserve		-	-	-	-	-	(120,067)	120,067	-	-	-	-
Cash dividends		-	-	-	-	-	-	(5,153,623)	-	-	-	(5,153,623)
Due to donated assets received		-	-	-	302	-	-	-	-	-	-	302
Balance at December 31, 2021		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,330	\$ 44,460	\$ 6,336,840	\$ 674,458	\$ 31,717,738	(\$ 864,091)	(\$ 37,703)	\$ 47,080,320
<u>2022</u>												
Balance at January 1, 2022		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,330	\$ 44,460	\$ 6,336,840	\$ 674,458	\$ 31,717,738	(\$ 864,091)	(\$ 37,703)	\$ 47,080,320
Profit for the year		-	-	-	-	-	-	-	9,962,520	-	-	9,962,520
Other comprehensive income (loss) for the year		-	-	-	-	-	-	27,514	225,117	(26,444)	226,187	-
Total comprehensive income (loss)		-	-	-	-	-	-	9,990,034	225,117	(26,444)	10,188,707	-
Appropriation of 2021 earnings	6(19)											
Legal reserve		-	-	-	-	1,692,113	-	(1,692,113)	-	-	-	-
Special reserve		-	-	-	-	-	227,336	(227,336)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(8,870,990)	-	-	-	(8,870,990)
Due to donated assets received		-	-	-	552	-	-	-	-	-	-	552
Balance at December 31, 2022		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,882	\$ 44,460	\$ 8,028,953	\$ 901,794	\$ 30,917,333	(\$ 638,974)	(\$ 64,147)	\$ 48,398,589

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 12,283,685	\$ 20,630,672
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets and investment properties)	6(24)	1,402,814	1,240,284
Amortization	6(24)	439	162
Expected credit loss		46,381	13,417
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		50,058	(125,652)
Interest expense		38,238	18,706
Interest income	6(21)	(145,683)	(72,045)
Loss (gain) on disposal of property, plant and equipment	6(23)	748	(862)
(Gain) loss on lease modification	6(10)	(196)	806
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(97,029)	127,713
Notes receivable, net		(86,368)	20,067
Accounts receivable		10,713,349	(7,537,037)
Other receivables		(215)	(26,646)
Inventories, net		8,644,507	(10,457,125)
Prepayments		(93,405)	(318,200)
Other non-current assets		(36,736)	2,883
Changes in operating liabilities			
Current contract liabilities		841,490	192,772
Accounts payable		(9,260,537)	6,753,435
Other payables		(1,972,776)	2,548,121
Provision for liabilities - current		(63,758)	353,062
Refund liabilities- current		(1,132,220)	1,177,412
Other current liabilities, others		(586,063)	436,026
Net defined benefit liability		(7,438)	(8,346)
Other non-current liabilities		(56,718)	87,161
Cash inflow generated from operations		20,482,567	15,056,786
Interest received		140,624	71,732
Interest paid		(39,627)	(19,392)
Income tax paid		(4,944,268)	(2,496,210)
Net cash flows from operating activities		15,639,296	12,612,916

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 52,875)	\$ -
Proceeds from disposal of financial assets at amortised cost		-	625,198
Acquisition of property, plant and equipment	6(9)	(821,223)	(1,560,688)
Proceeds from disposal of property, plant and equipment		1,203	2,065
Acquisition of investment properties	6(12)	(512)	(914)
Decrease (increase) in refundable deposits		31,068	(34,300)
Net cash flows used in investing activities		(842,339)	(968,639)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(2,000,000)	(1,000,000)
Repayment of the principal portion of lease liabilities		(295,601)	(243,022)
Payment of long-term borrowings		-	(13,786)
Increase (decrease) in guarantee deposits received		30,576	(966)
Cash dividends paid	6(19)	(8,870,990)	(5,153,623)
Due to donated assets received		552	302
Net cash flows used in financing activities		(11,135,463)	(6,411,095)
Effect of exchange rate		159,192	(164,336)
Net increase in cash and cash equivalents		3,820,686	5,068,846
Cash and cash equivalents at beginning of year	6(1)	23,654,801	18,585,955
Cash and cash equivalents at end of year	6(1)	\$ 27,475,487	\$ 23,654,801

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

MICRO-STAR INTERNATIONAL CO., LTD. (the “Company”) was incorporated as a company limited by shares under the laws of the Republic of China (R.O.C.) in August 1986 and started its operations in the same year. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998. The Company is the Group’s ultimate parent company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new standards and amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)		Note
			2022/12/31	2021/12/31	
MICRO-STAR INTERNATIONAL CO., LTD.	MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Holding company	100	100	B
"	MSI COMPUTER CORP. [MSI (LA)]	Sales and after-sales service of computers and electronic components	100	100	"
"	MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI (PACIFIC)]	Holding company	100	100	A
"	MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Sales support and after-sales service of computers and electronic components	100	100	"
"	MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	"	100	100	"
"	MSI COMPUTER (CAYMAN) CO., LTD. [MSI COMPUTER (CAYMAN)]	Holding company	100	100	B
"	MICRO-STAR CANADA LTD. [MSI (CANADA)]	Sales support and after-sales service of computers and electronic components	100	100	A
MSI (HOLDING)	MYSTAR COMPUTER B.V. [MYSTAR]	Sales support of computers and electronic components	100	100	B

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)		Note
			2022/12/31	2021/12/31	
MSI (HOLDING)	MSI COMPUTER SARL [MSI (SARL)]	Sales support of computers and electronic components	100	100	B
"	MSI COMPUTER (UK) LTD. [MSI (UK)]	"	100	100	"
"	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and after-sales services of computers and electronic components	99	99	"
"	MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Logistics services of computers and electronic components	100	100	"
"	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales support and after-sales service of computers and electronic components	99	99	"
"	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	99	99	B and C
"	MSI ITALY S.R.L. [MSI (ITALY)]	"	100	100	B
"	MSI IBERIA S.L. [MSI (IBERIA)]	"	100	100	"
MSI (EUROPE)	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	Sales support and after-sales services of computers and electronic components	1	1	"
"	LLC MSI COMPUTER [MSI (RUSSIA)]	"	1	1	"
"	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	Sales support of computers and electronic components	1	1	B and C
MSI (PACIFIC)	MSI KOREA CO., LTD. [MSI (KOREA)]	Sales and after-sales service of computers and electronic components	100	100	B
"	STAR INFORMATION HOLDING CO., LTD. [STAR INFORMATION]	Holding company	-	100	A and D

Name of investor	Name of subsidiaries	Main business activities	Ownership(%)		Note
			2022/12/31	2021/12/31	
MSI (PACIFIC)	MICRO-STAR INTERNATIONAL (B.V.I) HOLDING CO., LTD. [MSI (B.V.I.)]	Holding company	100	100	A
"	MICRO ELECTRONICS HOLDING CO., LTD. [MICRO ELECTRONICS]	"	100	100	"
"	MEGA TECHNOLOGY HOLDING CO., LTD. [MEGA TECHNOLOGY]	"	100	100	"
"	MEGA COMPUTER CO., LTD. [MEGA COMPUTER]	Sales support of computers and electronic components	100	100	B
"	MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	"	100	100	"
"	MSI (SHANGHAI) CO., LTD. [MSI (SHANGHAI)]	Sales and after-sales service of computers and electronic components	100	100	A
"	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	After-sales service of computers, and electronic components	100	100	"
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)]	Manufacture and after-sales service of computers, and electronic components	100	100	"
MSI (B.V.I.)	MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)]	Manufacture and after-sales service of computers, and electronic components	100	100	"
MEGA TECHNOLOGY	RAIDEALS INC. [RAIDEALS]	Sales computers and electronic components	100	100	"

Note A: These investee companies are included in the consolidated financial statements based on their financial statements which were audited by the Group's independent auditors for the corresponding period.

Note B: These investee companies are included in the consolidated financial statements based on their financial statements which were audited by other independent auditors for the corresponding period.

Note C: The subsidiary is in the process of liquidation.

Note D: On April 13, 2022, this subsidiary has cancelled its registration.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4)Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5)Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to

- be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settle within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that readily convert to known amount of cash and subject to an insignificant effect of value of changes in rate. Time deposits and money market fund that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represents solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity

period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets measured at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements (lesser) – Operating leases

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work-in-process comprises raw materials, direct labour, other direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~55 years
Machinery and equipment	1.5~10 years
Other properties (includes transportation equipment, office equipment, and leasehold improvements)	1.5~10 years

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly fixed payments, less any lease incentives that can be received.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost mainly comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Provisions

Provisions of warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees, and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount

is determined by using interest rates of government bonds (at the balance sheet date).

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income

tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Board of Directors. Cash dividends are recorded as liabilities.

(27) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells motherboards, graphic card products, a variety of computer hardware, and electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year. As a result, the Group does not adjust any of the transaction prices for the time value of money.

(c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

(d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2022, the carrying amount of inventories was \$29,295,155.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 4,218	\$ 2,914
Checking accounts and demand deposits	17,846,069	16,623,197
Time deposits	<u>9,625,200</u>	<u>7,028,690</u>
Total	<u>\$ 27,475,487</u>	<u>\$ 23,654,801</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's time deposits with maturity periods over three months or pledged to others are reclassified as "financial assets at amortised cost." Details of financial assets at amortised cost are provided in Notes 6(4) and 8.

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

<u>Asset items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Stock of publicly traded or listed companies	\$ 106,200	\$ -
Derivatives – Forward exchange contract	6,426	40,175
Derivatives – Foreign exchange swap	<u>193,364</u>	<u>58,638</u>
	305,990	98,813
Evaluation adjustment	(8,598)	-
Total	<u>\$ 297,392</u>	<u>\$ 98,813</u>
<u>Liability items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities held for trading		
Derivatives – Forward exchange contract	<u>\$ 167,284</u>	<u>\$ 15,708</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	2022	2021
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 542	\$ 17,959
Derivatives	(1,042,669)	474,823
	(\$ 1,042,127)	\$ 492,782

B. The Group entered into contracts related to derivative financial assets and liabilities which were not accounted for under hedge accounting. The contract information are as follows:

December 31, 2022			
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	CNY	172,308	2022.12.05~2023.05.24
"	GBP	4,800	2022.12.07~2023.03.01
"	CAD	7,500	2022.11.07~2023.03.24
"	SEK	6,136	2022.12.02~2023.03.01
Foreign exchange swap	USD	450,000	2022.10.05~2023.03.16

December 31, 2022			
Derivative Financial Liabilities	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	AUD	7,000	2022.10.31~2023.02.01
"	CNY	446,901	2022.10.14~2023.05.24
"	EUR	39,000	2022.09.29~2023.05.24
"	GBP	4,300	2022.11.30~2023.03.31
"	JPY	292,820	2022.12.28~2023.01.31
"	KRW	31,827,600	2022.11.29~2023.03.15

December 31, 2021			
Derivative Financial Assets	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	AUD	1,000	2021.10.27~2022.01.10
"	CAD	8,000	2021.10.12~2022.02.24
"	RUB	666,825	2021.12.09~2022.01.18
"	EUR	60,000	2021.10.14~2022.04.01
Foreign exchange swap	USD	324,000	2021.12.14~2022.05.09
"	CNY	509,265	2021.08.12~2022.04.19

December 31, 2021			
Derivative Financial Liabilities	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	GBP	14,500	2021.12.13~2022.02.24
"	AUD	15,000	2021.12.08~2022.02.24
"	SEK	13,621	2021.12.29~2022.02.08
"	EUR	48,000	2021.12.06~2022.03.24

The Group entered into forward foreign exchange contracts to hedge exchange risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to price risk and fair value of financial assets at fair value through profit or loss is provided in Note 12(2)(3).

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 151,975	\$ 151,975
Valuation adjustment	(80,184)	(47,128)
Total	<u>\$ 71,791</u>	<u>\$ 104,847</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$71,791 and \$104,847 as at December 31, 2022 and 2021, respectively.
- B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$71,791 and \$104,847, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Note 12(2)(3).

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits over three months	\$ 454	\$ 432
Non-current items:		
Pledge bank deposits	\$ 650,401	\$ 599,638
Others	4,206	2,116
Total	\$ 654,607	\$ 601,754

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 17,914	\$ 15,651

- B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$655,061 and \$602,186, respectively.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 179,588	\$ 93,220
Accounts receivable	\$ 18,905,127	\$ 29,618,475
Less: Allowance for doubtful accounts	(78,395)	(28,388)
	\$ 18,826,732	\$ 29,590,087

A. The ageing analysis of accounts receivable and notes receivable:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 14,146,762	\$ 179,588	\$ 24,554,824	\$ 93,220
1 to 75 days	4,455,391	-	4,985,343	-
76 to 365 days	278,741	-	77,658	-
Over 365 days	24,233	-	650	-
	<u>\$ 18,905,127</u>	<u>\$ 179,588</u>	<u>\$ 29,618,475</u>	<u>\$ 93,220</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables (include notes receivable) from contracts with customers amounted to \$22,196,874.
- C. Most of the Group's accounts receivable have been insured or have collateral as security, and the Group will be able to obtain insurance claims or enforce a collateral in case these accounts default.
- D. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$179,588 and \$93,220; \$18,826,732 and \$29,590,087, respectively.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

The Group entered into a factoring agreement with a bank to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	December 31, 2022				Amount available for advance	Interest rate of amount advanced
	Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced		
Mega International Commercial Bank	\$ 260,669	\$ 260,669	\$ -	\$ -		
Taishin International Bank	107,032	107,032	-	-		

	December 31, 2021				Amount available for advance	Interest rate of amount advanced
	Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced		
Mega International Commercial Bank	\$ 253,096	\$ 253,096	\$ -	\$ -		
Taishin International Bank	110,560	110,560	-	-		

(7) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 7,333,816	(\$ 172,673)	\$ 7,161,143
Work-in-process	1,938,064	(5,184)	1,932,880
Finished goods	21,208,148	(1,007,016)	20,201,132
	<u>\$ 30,480,028</u>	<u>(\$ 1,184,873)</u>	<u>\$ 29,295,155</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 15,212,486	(\$ 119,602)	\$ 15,092,884
Work-in-process	-	-	-
Finished goods	23,279,771	(432,993)	22,846,778
	<u>\$ 38,492,257</u>	<u>(\$ 552,595)</u>	<u>\$ 37,939,662</u>

The cost of inventories recognised as expense for the period:

	2022	2021
Cost of inventories recognised as expense	\$ 154,683,162	\$ 163,565,876
Losses of decline in market value	608,004	71,501

As the Group sold certain inventories whose net realizable value was lower than its cost, the allowance for inventory obsolescence and market price decline was reversed for the year ended December 31, 2021.

(8) Prepayments

	December 31, 2022	December 31, 2021
Office supplies	\$ 928,289	\$ 820,829
Overpaid tax for offsetting the future tax payable	899,190	922,305
Prepayment for goods	2,782	42,257
Others	388,857	340,322
	<u>\$ 2,219,118</u>	<u>\$ 2,125,713</u>

(9) Property, plant and equipment

	2022				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	\$ 1,452,444	\$ 5,752,635	\$ 4,259,943	\$ 2,142,379	\$ 13,607,401
Accumulated depreciation	-	(4,154,909)	(2,192,522)	(1,549,117)	(7,896,548)
	<u>\$ 1,452,444</u>	<u>\$ 1,597,726</u>	<u>\$ 2,067,421</u>	<u>\$ 593,262</u>	<u>\$ 5,710,853</u>
Balance at January 1	\$ 1,452,444	\$ 1,597,726	\$ 2,067,421	\$ 593,262	\$ 5,710,853
Additions	-	73,336	285,654	462,233	821,223
Reclassifications	-	55,764	176,503	(235,365)	(3,098)
Disposals	-	(954)	(33)	(964)	(1,951)
Depreciation charge	-	(286,218)	(557,081)	(223,407)	(1,066,706)
Net exchange differences	8,386	15,959	28,476	8,931	61,752
Balance at December 31	<u>\$ 1,460,830</u>	<u>\$ 1,455,613</u>	<u>\$ 2,000,940</u>	<u>\$ 604,690</u>	<u>\$ 5,522,073</u>
At December 31					
Cost	\$ 1,460,830	\$ 6,054,186	\$ 4,721,046	\$ 2,336,730	\$ 14,572,792
Accumulated depreciation	-	(4,598,573)	(2,720,106)	(1,732,040)	(9,050,719)
	<u>\$ 1,460,830</u>	<u>\$ 1,455,613</u>	<u>\$ 2,000,940</u>	<u>\$ 604,690</u>	<u>\$ 5,522,073</u>

	2021				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	\$ 1,462,807	\$ 5,635,658	\$ 3,239,657	\$ 1,906,219	\$ 12,244,341
Accumulated depreciation	-	(3,895,827)	(1,798,346)	(1,420,074)	(7,114,247)
	<u>\$ 1,462,807</u>	<u>\$ 1,739,831</u>	<u>\$ 1,441,311</u>	<u>\$ 486,145</u>	<u>\$ 5,130,094</u>
Balance at January 1	\$ 1,462,807	\$ 1,739,831	\$ 1,441,311	\$ 486,145	\$ 5,130,094
Additions	-	75,957	1,096,886	387,845	1,560,688
Reclassifications	-	62,243	2,609	(55,106)	9,746
Disposals	-	-	(85)	(1,118)	(1,203)
Depreciation charge	-	(264,304)	(463,809)	(219,785)	(947,898)
Net exchange differences	(10,363)	(16,001)	(9,491)	(4,719)	(40,574)
Balance at December 31	<u>\$ 1,452,444</u>	<u>\$ 1,597,726</u>	<u>\$ 2,067,421</u>	<u>\$ 593,262</u>	<u>\$ 5,710,853</u>
At December 31					
Cost	\$ 1,452,444	\$ 5,752,635	\$ 4,259,943	\$ 2,142,379	\$ 13,607,401
Accumulated depreciation	-	(4,154,909)	(2,192,522)	(1,549,117)	(7,896,548)
	<u>\$ 1,452,444</u>	<u>\$ 1,597,726</u>	<u>\$ 2,067,421</u>	<u>\$ 593,262</u>	<u>\$ 5,710,853</u>

(10) Leasing arrangements – lessee

A. The Group leases various assets including land, buildings, machinery and equipment, and other equipment. Rental contracts are typically made for periods of 3 months to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	\$ 55,729	\$ 56,792
Buildings	536,100	294,296
Machinery and equipment	6,151	7,196
Other equipment	35,627	32,517
	<u>\$ 633,607</u>	<u>\$ 390,801</u>
	2022	2021
	Depreciation charge	Depreciation charge
Land	\$ 1,906	\$ 5,460
Buildings	268,942	220,602
Machinery and equipment	2,596	2,807
Other equipment	22,833	18,881
	<u>\$ 296,277</u>	<u>\$ 247,750</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$537,302 and \$166,505, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,374	\$ 6,383
Expense on leases of low-value or short-term assets	50,965	52,751
Expense on variable lease payments	20,072	27,493
Gain (loss) on lease modification	196 (806)

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$374,202 and \$329,584, respectively.

(11) Leasing arrangements – lessor

A. The Group leases buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The Group recognised rental income of \$88,839 and \$99,240 based on operating lease contracts for the years ended December 31, 2022 and 2021, respectively. None of these included variable lease payments.

C. The maturity analysis of lease payments in the operating lease is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than 1 year	\$ 52,362	\$ 91,533
Between 1 and 5 years	8,547	53,852
Total	<u>\$ 60,909</u>	<u>\$ 145,385</u>

(12) Investment property

	<u>2022</u>	<u>2021</u>
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 888,248	\$ 950,590
Accumulated depreciation	(742,331)	(742,953)
	<u>\$ 145,917</u>	<u>\$ 207,637</u>
Balance at January 1		
Balance at January 1	\$ 145,917	\$ 207,637
Additions	512	914
Reclassifications	(12,519)	(16,404)
Depreciation charge	(39,831)	(44,636)
Net exchange differences	2,269	(1,594)
Balance at December 31	<u>\$ 96,348</u>	<u>\$ 145,917</u>
At December 31		
Cost	\$ 792,241	\$ 888,248
Accumulated depreciation	(695,893)	(742,331)
	<u>\$ 96,348</u>	<u>\$ 145,917</u>

A. Rental income from the lease of the investment and direct operating expenses arising from the investment property:

	<u>2022</u>	<u>2021</u>
Rental income from the lease of the investment property	\$ 88,839	\$ 99,240
Direct operating expenses arising from the investment property	\$ 54,316	\$ 61,756

B. As of December 31, 2022 and 2021, the fair value of the Group's investments in property amounting to \$1,880,320 and \$2,156,294, respectively, as derived from market prices in the nearby area, are under Level 2 fair value measurement.

(13) Short-term borrowings

December 31, 2022 : None.

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 2,000,000	0.68%~0.78%	None

(14) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued salary and bonus	\$ 1,851,577	\$ 2,488,797
Accrued freight and import export expense	1,070,759	1,780,045
Directors' remuneration and employees' compensation	956,800	1,647,800
Advertising expenses payable	495,235	734,784
Accrued molding expense	354,692	349,850
Other accrued expenses	1,189,213	890,400
	<u>\$ 5,918,276</u>	<u>\$ 7,891,676</u>

(15) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 533,958	\$ 538,812
Fair value of plan assets	(363,970)	(326,994)
Net defined benefit liability	<u>\$ 169,988</u>	<u>\$ 211,818</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
Balance at January 1	\$ 538,812	(\$ 326,994)	\$ 211,818
Current service cost	3,100	-	3,100
Interest expense (income)	<u>3,772</u>	<u>(2,289)</u>	<u>1,483</u>
	<u>545,684</u>	<u>(329,283)</u>	<u>216,401</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(24,272)	(24,272)
Change in financial assumptions	(27,086)	-	(27,086)
Experience adjustments	<u>16,966</u>	<u>-</u>	<u>16,966</u>
	<u>(10,120)</u>	<u>(24,272)</u>	<u>(34,392)</u>
Pension fund contribution	-	(12,021)	(12,021)
Paid pension	<u>(1,606)</u>	<u>1,606</u>	<u>-</u>
Balance at December 31	<u>\$ 533,958</u>	<u>(\$ 363,970)</u>	<u>\$ 169,988</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2021</u>			
Balance at January 1	\$ 535,344	(\$ 315,030)	\$ 220,314
Current service cost	2,862	-	2,862
Interest expense (income)	<u>1,606</u>	<u>(945)</u>	<u>661</u>
	<u>539,812</u>	<u>(315,975)</u>	<u>223,837</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(4,739)	(4,739)
Change in population assumptions	440	-	440
Change in financial assumptions	(20,605)	-	(20,605)
Experience adjustments	<u>24,754</u>	<u>-</u>	<u>24,754</u>
	<u>4,589</u>	<u>(4,739)</u>	<u>(150)</u>
Pension fund contribution	-	(11,869)	(11,869)
Paid pension	<u>(5,589)</u>	<u>5,589</u>	<u>-</u>
Balance at December 31	<u>\$ 538,812</u>	<u>(\$ 326,994)</u>	<u>\$ 211,818</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from

the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.30%</u>	<u>0.70%</u>
Future salary increases	<u>2.75%</u>	<u>2.75%</u>

Assumptions regarding future mortality experience are set based on the sixth round of empirical life tables of the Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ <u>10,678</u>)	<u>\$ 11,029</u>	<u>\$ 9,589</u>	(\$ <u>9,346</u>)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ <u>12,052</u>)	<u>\$ 12,472</u>	<u>\$ 10,852</u>	(\$ <u>10,559</u>)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$12,092.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 96,566
1-2 year(s)	23,571
2-3 years	20,075
3-4 years	25,080
4-5 years	39,125
6-10 years	155,214
Over 10 years	<u>235,834</u>
	<u>\$ 595,465</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$383,763 and \$319,372, respectively.

(16) Provisions for liabilities

<u>Warranty</u>	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,203,497	\$ 850,435
Additional provisions	850,281	1,171,340
Used during the period	(914,033)	(818,343)
Exchange differences	(6)	65
At December 31	<u>\$ 1,139,739</u>	<u>\$ 1,203,497</u>
Analysis of total provisions:		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 1,139,739</u>	<u>\$ 1,203,497</u>

The Group gives warranties on computer components and personal computers sold. Provision for warranty is estimated based on historical warranty data.

(17) Share capital

As of December 31, 2022, the Company’s authorized capital was \$15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$8,448,562 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. A company shall not use the capital surplus to cover its capital loss, unless the surplus reserve is insufficient to cover such loss.

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve, and set aside or reverse as special reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90%

as proposed by the Board of Directors, and authorize the Board of Directors to distribute all or part of the dividends in cash by supermajority vote and report the distribution plan at the stockholders' meeting; or by issuing new stocks and resolved by the stockholders during their meeting.

- B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company's future expansion plans, stockholders' interest is taken into consideration. The Group appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriations of 2021 and 2020 earnings had been resolved at the stockholders' meeting on June 10, 2022 and July 16, 2021, respectively as follows:

	2021		2020	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Legal reserve	\$ 1,692,113		\$ 795,542	
Special reserve	227,336		(120,067)	
Cash dividend	8,870,990	\$ 10.50	5,153,623	\$ 6.10

Information about earnings appropriation of the Company as resolved by Board of Directors is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. The appropriations of 2022 earnings had been resolved at the Board of Directors' meeting on March 14, 2023 as follows:

	2022	
	Amount	Dividends per share (dollar)
Legal reserve	\$ 999,003	
Special reserve	(198,673)	
Cash dividend	5,576,051	\$ 6.60

As of the date of this financial report, the appropriations of 2022 earnings has not been resolved at the stockholders' meeting.

(20) Operating revenue

A. The Group derives revenue from the transfer of goods at a point in time in the following major segment:

2022	Computer and peripherals segment	Other	Total
Total segment revenue	\$ 180,363,369	\$ 47,873	\$ 180,411,242
Timing of revenue recognition			
At a point in time	\$ 180,363,369	\$ 47,873	\$ 180,411,242
2021	Computer and peripherals segment	Other	Total
Total segment revenue	\$ 201,807,778	\$ 2,374	\$ 201,810,152
Timing of revenue recognition			
At a point in time	\$ 201,807,778	\$ 2,374	\$ 201,810,152

B. Contract liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities –			
advance sales receipts	\$ 1,297,414	\$ 455,924	\$ 263,152

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year:

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ 431,729	\$ 238,957

(21) Interest income

	2022	2021
Interest income from bank deposits	\$ 127,769	\$ 56,394
Interest income from financial assets measured at amortised cost	17,914	15,651
	\$ 145,683	\$ 72,045

(22) Other income

	2022	2021
Rental revenue	\$ 88,839	\$ 99,240
Others	550,986	772,914
	\$ 639,825	\$ 872,154

(23) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net currency exchange gains (losses)	\$ 1,953,452	(\$ 720,305)
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(1,042,127)	492,782
Net (losses) gains on disposal of property, plant and equipment	(748)	862
Other expenses	(70,048)	(42,804)
	<u>\$ 840,529</u>	<u>(\$ 269,465)</u>

(24) Expenses by nature

	<u>2022</u>	<u>2021</u>
Employee benefit expense	\$ 10,088,220	\$ 11,408,802
Depreciation charges	1,402,814	1,240,284
Amortisation charges	439	162
	<u>\$ 11,491,473</u>	<u>\$ 12,649,248</u>

(25) Employee benefit expense

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 8,737,956	\$ 10,243,706
Labor and health insurance fees	579,777	502,296
Pension costs	388,346	322,895
Other personnel expenses	382,141	339,905
Total	<u>\$ 10,088,220</u>	<u>\$ 11,408,802</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 6%~10% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' remuneration were accrued at \$882,000 and \$1,540,000, respectively; while directors' remuneration were accrued at \$74,800 and \$107,800, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the year ended December 31, 2022.

Employees' compensation and directors' remuneration of 2021 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the "Market Observation Post System" website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 2,501,861	\$ 3,968,967
Prior year income tax overestimation	(37,923)	(44,348)
Total current tax	<u>2,463,938</u>	<u>3,924,619</u>
Deferred tax:		
Origination and reversal of temporary differences	(142,773)	(214,952)
Total deferred tax	<u>(142,773)</u>	<u>(214,952)</u>
Income tax expense	<u>\$ 2,321,165</u>	<u>\$ 3,709,667</u>

(b) The income tax charge relating to components of other comprehensive income:

	<u>2022</u>	<u>2021</u>
Remeasurement of defined benefit obligations (\$	6,878)	(\$ 30)
Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	<u>6,612</u>	<u>9,425</u>
	<u>(\$ 266)</u>	<u>\$ 9,395</u>

(c) The income tax charged/(credited) to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 2,609,526	\$ 4,375,780
Effect from items disallowed by tax regulation	74,000	24,811
Temporary differences not recognised as deferred tax liabilities	(135,476)	(308,075)
Effect from investment tax credits	(494,113)	(407,669)
Prior year income tax overestimation	(37,923)	(44,348)
Effect of different tax rates in countries in which the group operates	5,324	(32,494)
Tax on undistributed earnings	298,381	102,049
Other	<u>1,446</u>	<u>(387)</u>
Income tax expense	<u>\$ 2,321,165</u>	<u>\$ 3,709,667</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised gross profit	\$ 568,203	(\$ 36,369)	\$ -	\$ 531,834
Loss on inventory	113,908	144,925	-	258,833
Remeasurement of defined benefit obligations	35,126	-	(6,878)	28,248
Unrealised exchange loss	15,254	2,902	-	18,156
Unrealised loss on financial assets at fair value through other comprehensive income	9,425	-	6,612	16,037
Allowance for bad debts excess tax limitation	7,201	4,899	-	12,100
Others	255,051	21,974	-	277,025
Subtotal	<u>1,004,168</u>	<u>138,331</u>	<u>(266)</u>	<u>1,142,233</u>
-Deferred tax liabilities:				
Unrealised gain on financial assets (liabilities) at fair value through profit or loss	(16,621)	10,120	-	(6,501)
Others	(515)	(5,678)	-	(6,193)
Subtotal	<u>(17,136)</u>	<u>4,442</u>	<u>-</u>	<u>(12,694)</u>
Total	<u>\$ 987,032</u>	<u>\$ 142,773</u>	<u>(\$ 266)</u>	<u>\$ 1,129,539</u>
	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealised gross profit	\$ 438,111	\$ 130,092	\$ -	\$ 568,203
Loss on inventory	96,541	17,367	-	113,908
Remeasurement of defined benefit obligations	35,156	-	(30)	35,126
Unrealised exchange loss	-	15,254	-	15,254
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	9,425	9,425
Allowance for bad debts excess tax limitation	2,277	4,924	-	7,201
Unrealised loss on financial assets (liabilities) at fair value through profit or loss	4,918	(4,918)	-	-
Others	192,610	62,441	-	255,051
Subtotal	<u>769,613</u>	<u>225,160</u>	<u>9,395</u>	<u>1,004,168</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(6,084)	6,084	-	-
Unrealised gain on financial assets (liabilities) at fair value through profit or loss	-	(16,621)	-	(16,621)
Others	(844)	329	-	(515)
Subtotal	<u>(6,928)</u>	<u>(10,208)</u>	<u>-</u>	<u>(17,136)</u>
Total	<u>\$ 762,685</u>	<u>\$ 214,952</u>	<u>\$ 9,395</u>	<u>\$ 987,032</u>

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2022 and 2021, the amounts of temporary difference unrecognised as deferred tax liabilities were \$8,284,794 and \$7,167,374, respectively.

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	<u>2022</u>		
	<u>Amount after tax</u>	<u>Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,962,520	844,856	\$ 11.79
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,962,520	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,111	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,962,520	854,967	\$ 11.65
<u>2021</u>			
	<u>Amount after tax</u>	<u>Retroactively adjusted weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,921,005	844,856	\$ 20.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,921,005	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,724	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 16,921,005	855,580	\$ 19.78

(28) Changes in liabilities from financing activities

	2022				
	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 2,000,000	\$ 338,166	\$ -	\$ 211,417	\$ 2,549,583
Changes in cash flow from financing activities	(2,000,000)	(295,601)	-	30,576	(2,265,025)
Impact of changes in foreign exchange rate	-	5,661	-	-	5,661
Changes in other non-cash items	-	532,457	-	-	532,457
At December 31	<u>\$ -</u>	<u>\$ 580,683</u>	<u>\$ -</u>	<u>\$ 241,993</u>	<u>\$ 822,676</u>
	2021				
	Short-term borrowings	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 3,000,000	\$ 443,730	\$ 14,184	\$ 212,383	\$ 3,670,297
Changes in cash flow from financing activities	(1,000,000)	(243,022)	(13,786)	(966)	(1,257,774)
Impact of changes in foreign exchange rate	-	(16,289)	(398)	-	(16,687)
Changes in other non-cash items	-	153,747	-	-	153,747
At December 31	<u>\$ 2,000,000</u>	<u>\$ 338,166</u>	<u>\$ -</u>	<u>\$ 211,417</u>	<u>\$ 2,549,583</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

None.

(2) Significant related party transactions

None.

(3) Key management compensation

	2022	2021
Salaries and other employee benefits	<u>\$ 596,943</u>	<u>\$ 762,705</u>

8. PLEGGED ASSETS

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

Asset items	Book value		Purpose
	December 31, 2022	December 31, 2021	
Non-current financial assets at amortised cost	<u>\$ 650,401</u>	<u>\$ 599,638</u>	Performance security guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies : None.

(2) Commitments : None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Group passed the appropriations of 2022 earnings through the Board of Directors on March 14, 2023, please refer to Note 6(19).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase outstanding shares.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 297,392	\$ 98,813
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	71,791	104,847
Financial assets at amortised cost		
Cash and cash equivalents	27,475,487	23,654,801
Financial assets at amortised cost	655,061	602,186
Notes receivable	179,588	93,220
Accounts receivable	18,826,732	29,590,087
Other receivables	298,360	292,862
Guarantee deposits paid	67,948	99,016
	<u>\$ 47,872,359</u>	<u>\$ 54,535,832</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial assets at fair value through profit or loss		
Financial liabilities held for trading	\$ 167,284	\$ 15,708
Financial liabilities at amortised cost		
Short-term borrowings	-	2,000,000
Accounts payable	24,670,649	33,931,186
Other payables	5,918,276	7,891,676
Guarantee deposits received	241,993	211,417
	<u>\$ 30,998,202</u>	<u>\$ 44,049,987</u>
Lease liabilities	<u>\$ 580,683</u>	<u>\$ 338,166</u>

B. Risk management policies

The Group's activities expose it to a variety of financial risks: including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- v. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 335,012	30.7100	\$ 10,288,221
USD: RMB	61,904	6.9669	1,901,064
EUR: NTD	23,601	32.7200	772,237
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	510,649	30.7100	15,682,033
USD: RMB	355,726	6.9669	10,924,345

December 31, 2021			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 699,207	27.6800	\$ 19,354,055
EUR: NTD	77,229	31.3200	2,418,806
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1,304,280	27.6800	36,102,464

- vi. The exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$1,953,452 and (\$720,305), respectively.

vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

2022			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 102,882	\$ -
USD: RMB	1%	19,011	-
EUR: NTD	1%	7,722	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	156,820	-
USD: RMB	1%	109,243	-
2021			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 193,541	\$ -
EUR: NTD	1%	24,188	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	361,025	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group has investments in equity securities. The prices of equity securities would change due to the change in the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$781 and \$0, as a result of gain or loss of equity instruments at fair value through profit or loss. Also, other components of equity would have increased/decreased by \$574 and \$839, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group does not have long-term borrowings, and short-term borrowings because the duration are short, so assessed to have no cash flow and fair value interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable, notes receivable and financial assets at amortised cost cash flow based on the agreed terms.
 - ii. The Group manages their credit risk taking into consideration the entire Group's concern. For banks and financial institutions, only parties with a rating of investment grade are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.
 - iii. The Group adopts assumptions, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
 - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
 - vi. The Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
 - vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
 - viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument as at December 31, 2022 and 2021. The expected credit loss rate of the Group's overdue accounts receivable was not material as of December 31, 2022 and 2021.
 - ix. The Group applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Group had not recognized related impact as at December 31, 2022 and 2021.
- (c) Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's internal balance sheet ratio targets and external regulatory or legal requirements.
 - ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the

remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2022				
Accounts payable	\$24,670,649	\$ -	\$ -	\$ -
Other payables	5,918,276	-	-	-
Lease liabilities	223,855	174,918	119,736	67,803
Other financial liabilities	960	104,134	-	136,899

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2021				
Short-term borrowings	\$ 2,001,156	\$ -	\$ -	\$ -
Accounts payable	33,931,186	-	-	-
Other payables	7,891,676	-	-	-
Lease liabilities	194,588	72,142	33,096	38,886
Other financial liabilities	681	103,008	-	107,728

Non-derivative financial liabilities:

Derivative financial liabilities

As of December 31, 2022 and 2021, the derivative financial liabilities mature within 1 year.

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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.

B. The fair value information of the Group's investments in property is provided in Note 6(12).

C. Financial instruments not measured at fair value

The Group's cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, accounts payable, other payables and guarantee deposits received are approximate to their fair values. The transaction value information is provided in Note 12(2)A.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 97,602	\$ -	\$ -	\$ 97,602
-Forward exchange contract	-	6,426	-	6,426
-Foreign exchange swap	-	193,364	-	193,364
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	71,791	71,791
Total	<u>\$ 97,602</u>	<u>\$ 199,790</u>	<u>\$ 71,791</u>	<u>\$ 369,183</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	<u>\$ -</u>	<u>\$ 167,284</u>	<u>\$ -</u>	<u>\$ 167,284</u>

E. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The level 1 financial instruments-equity security held by the Group are listed shares, and the market quoted price is determined by the closing price of the security.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

F. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

G. For the years ended December 31, 2022 and 2021, there was no transfer in or out from Level 3.

H. The Group entrusts an external evaluation agency to evaluate the fair value classified as Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Derivative financial instruments transactions: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information and measurement of segment information

The Group operates business only in the manufacture and sale of motherboards and computer hardware and peripherals. The chief operating decision-maker is the Board of Directors, who considers the whole business as a single performance entity, and assesses performance, makes decisions and allocates resources based on financial information. It has identified that the Group has only one reportable operating segment.

(2) Information about segment profit or loss, assets and liabilities:

The Group's Board of Directors mainly evaluates the performance of the operating segments based on the Group's quarterly financial statements.

(3) Reconciliation for segment income

The Group is a single reportable segment. The profit and loss, assets and liabilities of the segment are consistent with the profit and loss, assets and liabilities shown in the financial statements, so there is no reconciliation required.

(4) Information on products and services

Revenue from external customers is mainly from the sales of computer and peripherals and related components. Details of revenue are as follows:

	<u>2022</u>	<u>2021</u>
Computer and peripherals sale revenue	\$ 180,411,242	\$ 201,810,152

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Asia	\$ 82,073,330	\$ 5,755,126	\$ 80,693,591	\$ 5,892,867
Europe	41,082,362	257,362	57,410,825	274,388
America	53,851,988	371,151	59,459,519	187,787
Others	3,403,562	2,176	4,246,217	5,470
	<u>\$ 180,411,242</u>	<u>\$ 6,385,815</u>	<u>\$ 201,810,152</u>	<u>\$ 6,360,512</u>

(6) Major customer information

The Group had no individual customer whose sales amount accounts for more than 10% of net operating revenue in the consolidated statement of comprehensive income.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 1

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MSI (HOLDING)	SAP SE	-	Financial assets at fair value through profit or loss - current	5,000	\$ 15,769	-	\$ 15,769	-
MSI (HOLDING)	BMW	-	Financial assets at fair value through profit or loss - current	10,000	27,282	-	27,282	-
MSI (HOLDING)	Deutsche Boerse	-	Financial assets at fair value through profit or loss - current	2,000	10,562	-	10,562	-
MSI (HOLDING)	Deutsche Post	-	Financial assets at fair value through profit or loss - current	30,000	34,533	-	34,533	-
MSI (HOLDING)	Hermes International	-	Financial assets at fair value through profit or loss - current	200	9,456	-	9,456	-
MICRO-STAR INTERNATIONAL CO., LTD.	Now.gg, Inc.(Original Name: BLUESTACK SYSTEMS, INC.)	-	Financial assets at fair value through other comprehensive income - non current	516,052	71,791	-	71,791	-

Table 1 Page 1

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Expressed in thousands of NTD

Table 2

(Except as otherwise indicated)

Transaction company (Note 3)	Name of the counter party (Note 3)	Relationship with the counterparty	Description of the transaction				Description and reasons of difference in transaction terms compared to third party transactions		Accounts or notes receivable (payable)		Footno te
			Purchases/(Sales)	Amount (Note 2)	% of total purchase (sale)	Credit terms	Unit price	Credit terms	Balance (Note 2)	% of total accounts or notes receivable/(payable)	
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Subsidiary	Sales	(\$ 34,847,326)	(12)	60~100 days	-	-	\$ 7,339,535	21	-
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	Sales	(9,587,676)	(3)	40~70 days	-	-	1,555,751	5	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	Sales	(2,265,119)	(1)	30~100 days	-	-	193,777	1	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Second-tier Subsidiary	Sales	(5,983,832)	(2)	50~70 days	-	-	-	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Second-tier Subsidiary	Purchase	81,473,352	33	90-150 days	Note 1	Note 1	(11,376,749)	(36)	Note 4
MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Second-tier Subsidiary	Purchase	49,624,543	20	90-150 days	Note 1	Note 1	(8,284,958)	(26)	Note 4
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	Sales	(9,480,209)	100	40-70 days	-	-	2,580,062	100	-

Note 1: There are no counterparties for comparison and the relevant transactions have been eliminated in the preparation of the consolidated financial report.

Note 2: Balances after elimination in conformity with regulations.

Note 3: Corresponding transactions are not disclosed.

Note 4: The Group sold materials to the above related parties for processing and repurchased the finished goods. The sales amount of materials and repurchase price of finished goods were offset against each other and shown at net amount in the financial statements.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Footnote
					Amount	Action taken			
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Subsidiary	\$ 7,339,535	4.13	\$-	-	\$2,011,789	\$ -	
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Second-tier Subsidiary	1,555,751	5.63	-	-	687,648	-	
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Second-tier Subsidiary	193,777	9.06	-	-	163,380	-	
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Second-tier Subsidiary	6,497,132	9.80	-	-	-	-	(Note)
MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Second-tier Subsidiary	8,958,524	4.73	-	-	3,861,849	-	(Note)
MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	239,092	-	-	-	-	-	
MSI COMPUTER (SHENZHEN)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	11,376,749	14.32	-	-	1,428,280	-	
MSI ELECTRONICS (KUNSHAN)	MICRO-STAR INTERNATIONAL CO., LTD.	Ultimate parent company	8,284,958	11.98	-	-	4,718,983	-	
MSI (B.V.I.)	MSI (PACIFIC)	Parent Company	143,516	-	-	-	-	-	
MEGA COMPUTER	MSI (SHANGHAI)	Affiliated company	2,580,062	3.43	-	-	687,648	-	

Note: The Group sold materials to the above related parties for processing and repurchased the finished goods. The sales amount of materials and repurchase price of finished goods were offset against each other and shown at net amount in the financial statements.

Significant inter-company transactions during the year ended December 31, 2022

46,184,753 Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to second-tier subsidiary	Sales	\$ 5,983,832	Note 2	3.32%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Sales	34,847,326	Note 2	19.32%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Sales	9,587,676	Note 2	5.31%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Sales	2,265,119	Note 2	1.26%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Accounts receivable	7,339,535	Note 2	8.45%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Accounts receivable	1,555,751	Note 2	1.79%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Accounts receivable	193,777	Note 2	0.22%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Accounts receivable	6,497,132	Note 3	7.48%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Accounts receivable	8,958,524	Note 3	10.31%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Purchase	\$ 81,473,352	Note 3	45.16%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Purchase	49,624,543	Note 3	27.51%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (SHENZHEN)	Parent company to second-tier subsidiary	Accounts payable	11,376,749	Note 3	6.31%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI ELECTRONICS (KUNSHAN)	Parent company to second-tier subsidiary	Accounts payable	8,284,958	Note 3	4.259%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to second-tier subsidiary	Manufacturing and operating expense	208,874	Note 2	0.12%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (EUROPE)	Parent company to second-tier subsidiary	Manufacturing and operating expense	255,448	Note 2	0.14%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to second-tier subsidiary	Manufacturing and operating expense	168,432	Note 2	0.09%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (MHK)	Parent company to second-tier subsidiary	Manufacturing and operating expense	157,646	Note 2	0.09%

Number	Company name (Note 4)	Counterparty (Note 4)	Relationship	Transaction			
				General ledger account	Amount (Note 1)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (POLSKA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	174,395	Note 2	0.10%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (RUSSIA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	139,949	Note 2	0.08%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Manufacturing and operating expense	595,772	Note 2	0.33%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (SARL)	Parent company to second-tier subsidiary	Manufacturing and operating expense	111,648	Note 2	0.06%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Parent company to subsidiary	Manufacturing and operating expense	182,366	Note 2	0.10%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to second-tier subsidiary	Manufacturing and operating expense	112,957	Note 2	0.06%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (UK)	Parent company to second-tier subsidiary	Manufacturing and operating expense	101,949	Note 2	0.06%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Parent company to subsidiary	Manufacturing and operating expense	195,775	Note 2	0.11%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALIA)	Parent company to subsidiary	Manufacturing and operating expense	67,493	Note 2	0.04%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (ITALY)	Parent company to subsidiary	Manufacturing and operating expense	56,441	Note 2	0.03%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (IBERIA)	Parent company to subsidiary	Manufacturing and operating expense	59,769	Note 2	0.03%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Other payables	50,510	Note 2	0.06%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary to second-tier subsidiary	Other payables	95,576	Note 3	0.11%
1	MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary to second-tier subsidiary	Other payables	143,516	Note 3	0.17%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Other receivables	239,092	Note 3	0.28%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Sales	9,480,209	Note 2	5.25%
2	MEGA COMPUTER	MSI (SHANGHAI)	Second-tier subsidiary to second-tier subsidiary	Accounts receivable	2,580,062	Note 2	2.97%
3	MSI (LA)	RAIDEALS	Subsidiary to second-tier subsidiary	Sales	117,089	Note 2	0.06%

Note 1: Balances after elimination in conformity with regulations.

Note 2: Transaction terms were approximately the same as those to third parties.

Note 3: Determined based on the quantities, contract amount and delivery time.

Note 4: Individual transactions not exceeding \$50,000 and their corresponding transactions are not disclosed.

Table 4 Page 2

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
For the year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

35.0765

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership(%)	Book value			
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	U.S.A	Sales and after-sales service of computers and electronic components	\$ 258,468	\$ 258,468	575,458	100.00	\$ 195,626	(\$ 15,353)	(\$ 15,353)	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALIA)	Australia	Sales support and after-sales service of computers and electronic components	57,420	57,420	221,836	100.00	11,885	1,802	1,802	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Japan	Sales support and after-sales service of computers and electronic components	20,411	20,411	1,400	100.00	22,850	3,606	3,606	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Cayman Islands	Holding company	1,511,382	1,511,382	30,204,118	100.00	9,307,117	864,917	636,998	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Netherlands	Holding company	45,724	45,724	424,000	100.00	753,056	46,752	46,752	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	99,093	99,093	50,000	100.00	127,992	935	935	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (CANADA)	Canada	Sales support and after-sales service of computers and electronic components	2,150	2,150	100,000	100.00	7,989	2,640	2,640	Direct subsidiary
MSI (PACIFIC)	MSI (KOREA)	South Korea	Sales and after-sales service of computers and electronic components	24,374	24,374	80,000	100.00	375,027	(5,151)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Island	Holding company	1,784,681	1,784,681	47,465,071	100.00	5,729,988	681,065	-	Indirect subsidiary
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Island	Holding company	1,168,593	1,168,593	33,315,472	100.00	3,548,149	298,192	-	Indirect subsidiary
MSI (PACIFIC)	STAR INFORMATION	British Virgin Island	Holding company	-	144,721	-	-	-	(47)	-	Indirect subsidiary
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Island	Holding company	92,819	92,819	3,050,000	100.00	6,019	(170)	-	Indirect subsidiary
MSI (PACIFIC)	MEGA COMPUTER	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	4,026	(41)	-	Indirect subsidiary
MSI (PACIFIC)	MSI (MHK)	Hong Kong	Sales support of computers and electronic components	-	-	1	100.00	31,515	5,072	-	Indirect subsidiary

Table 5 Page 1

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership(%)	Book value			
MSI (HOLDING)	MYSTAR	Netherlands	Sales support of computers and electronic components	71,353	71,353	-	100.00	215,447	24,431	-	Indirect subsidiary
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales support and after-sales service of computers and electronic components	68,258	68,258	-	99.00	44,285	3,667	-	Indirect subsidiary
MSI (HOLDING)	MSI (POLSKA)	Poland	Sales support and after-sales service of computers and electronic components	46,077	46,077	-	99.00	38,099	3,459	-	Indirect subsidiary
MSI (HOLDING)	MSI (SARL)	France	Sales support of computers and electronic components	26,646	26,646	-	100.00	50,993	5,489	-	Indirect subsidiary
MSI (HOLDING)	MSI (UK)	Britan	Sales support of computers and electronic components	37,226	37,226	-	100.00	27,862	5,173	-	Indirect subsidiary
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	3,229	3,229	-	99.00	(43)	-	-	Indirect subsidiary (Note 2)
MSI (HOLDING)	MSI (ITALY)	Italy	Sales support of computers and electronic components	2,153	2,153	-	100.00	7,763	2,227	-	Indirect subsidiary
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistics services of computers and electronic components	37,620	37,620	-	100.00	57,604	2,120	-	Indirect subsidiary
MSI (HOLDING)	MSI (IBERIA)	Spain	Sales support of computers and electronic components	5,177	5,177	-	100.00	11,413	1,526	-	Indirect subsidiary
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales support and after-sales service of computers and electronic components	689	689	-	1.00	523	3,667	-	Indirect subsidiary
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales support and after-sales service of computers and electronic components	467	467	-	1.00	167	3,459	-	Indirect subsidiary
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales support of computers and electronic components	33	33	-	1.00	25	-	-	Indirect subsidiary (Note 2)
MEGA TECHNOLOGY	RAIDEALS	U.S.A	Sales of computers and electronic components	1,523	1,523	-	100.00	2,419	203	-	Indirect subsidiary

Note 1: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=30.71NTD ; 1EUR=32.72 NTD on December 31, 2022 and average rate with 1USD=29.7816NTD; 1EUR=31.3363 NTD for the year ended December 31, 2022.

Note 2: As of December 31, 2022, the liquidation process has not been completed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China - Basic information
For the year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MSI COMPUTER (SHENZHEN)	Manufacture and after-sales service of computers, and electronic components	\$ 1,726,857	Note 1	\$1,726,857	\$ -	\$ -	\$ 1,726,857	\$681,064	100.00	\$ 681,064	\$5,567,998	\$ -	-
MSI ELECTRONICS (KUNSHAN)	Manufacture and after-sales service of computers, and electronic components	1,772,675	Note 1	1,772,675	-	-	1,772,675	298,214	100.00	298,214	3,440,015	-	-
SHENZHEN MEGA INFORMATION	After-sales service of computers, and electronic components	23,940	Note 1	23,940	-	-	23,940	571	100.00	571	23,879	-	-
MSI (SHANGHAI)	Sales and after-sales service of computers and electronic components	29,275	Note 1	-	-	-	-	(79,235)	100.00	(79,235)	(80,215)	-	Note 3

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>
MICRO-STAR INTERNATIONAL CO., LTD.	\$ 3,602,547	\$ 3,850,987	\$ 29,039,153

Note 1: The investments

Note 2: Evaluated based on financial statement not reviewed by other auditors of the investee companies.

Note 3: The amount of US \$1,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI (SHANGHAI).

Note 4: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 5: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=30.71 NTD on December 31, 2022 and average rate with 1USD=29.7816 NTD for the year ended December 31, 2022.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in third areas
For the year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

<u>Investee in Mainland</u> <u>China</u>	<u>Sales/ (Purchase)</u>		<u>Property transaction</u>		<u>Accounts receivable/ (payable)</u>		<u>Amount of</u> <u>endorsements/guarantees</u> <u>secured with collaterals</u>			<u>Accommodation of funds</u>			
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Balance as of</u> <u>December 31, 2022</u>	<u>%</u>	<u>Balance as of</u> <u>December 31,</u> <u>2022</u>	<u>Purpose</u>	<u>Ceiling</u> <u>amount</u>	<u>Balance as of</u> <u>December 31,</u> <u>2022</u>	<u>Interest</u> <u>rate range</u>	<u>Interest</u> <u>expense</u>	<u>Others</u>
MSI COMPUTER (SHENZHEN)	\$ -		-\$ -		\$ 6,497,132		19 \$ -		-\$ -	\$ -		-\$ -	\$ -
MSI ELECTRONICS (KUNSHAN)	-		-		8,958,524		26	-	-	-		-	-
MSI COMPUTER (SHENZHEN)	(81,473,352)	(33)	-		-(11,376,749)	(36)	-	-	-	-		-	-
MSI ELECTRONICS (KUNSHAN)	(49,624,543)	(20)	-		-(8,284,958)	(26)	-	-	-	-		-	-
MSI (SHANGHAI)	9,480,209	(100)	-		2,580,062		100	-	-	-		-	-

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Major shareholders information
December 31, 2022

Table 8

	<u>Name of major shareholders</u>	<u>Shares held as at December 31, 2022</u>	
		<u>Number of shares</u>	<u>Ownership(%)</u>
Hsu Hsiang		46,883,151	5.54%

Table 8 Page 1

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICRO-STAR INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's 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 Accountants in the Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. Based on our audits and the audit reports of other independent auditors, we believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. 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, we do not provide a separate opinion on these matters.

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

Recognition of sales revenue generated from own-brand products

Description

Please refer to Note 4(25) for accounting policies on revenue recognition. Other than international brands, the Company sells its products to customers in various countries. The Company also actively develops own-brand products. The recognition of sales revenue generated from own-brand products is critical to the Company's financial statements. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Obtained an understanding of and assessed internal controls in relation to sales revenue, and validated the operating effectiveness of those above-mentioned internal controls.
- B. Obtained detailed listing of sales revenue from own-brand products in the current year, and sampled to validate supporting documents, including sales invoices, customer purchase orders and delivery documents to ensure the appropriateness of recognition.
- C. Inspected contents and relevant evidences in relation to sales returns and discounts occurring subsequent to the reporting period.
- D. Performed accounts receivable confirmation procedure to significant customers.

Estimation of allowance for inventory valuation losses

Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventories. As of December 31, 2022, the balances of inventories and allowance for inventory valuation losses are NT\$18,989,424 thousand and NT\$515,651 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of motherboards, interface cards, notebook computers and other electronic products. Due to the rapid technological innovations and competition within the industry as well as frequent releases of new products resulting in potential price fluctuations, there is a higher risk of inventory losses due from market value decline or obsolescence. The Company recognises inventories at the lower of cost and net realisable value. The monetary values of allowance for inventory valuation losses is critical to the financial statements as of December 31, 2022. Therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Inquired with management, and assessed the reasonableness in relation to the provision of allowance for inventory valuation losses.
- B. Validated the accuracy of the system logic in calculating the ageing of inventories, and confirmed

the consistency with the Company's policies.

- C. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with the Company's policies.
- D. Sampled and tested the net realisable value basis of the individual inventory and validated the appropriateness.

Other matter-Reference to audits of other independent auditors

We did not audit the financial statements of certain investments accounted for under the equity method that are included in the parent company only financial statements. Those financial statements were audited by other independent auditors, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent auditors. Total assets of the above-mentioned investees (including investments accounted for under the equity method) amounted to NT\$1,487,242 thousand and NT\$1,372,674 thousand as at December 31, 2022 and 2021, constituting 1.61% and 1.31% of total assets, respectively. Comprehensive income of the above-mentioned investees amounted to NT\$32,214 thousand and NT\$265,591 thousand for the years ended December 31, 2022 and 2021, constituting 0.32% and 1.59% of total comprehensive income, 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Independent auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 judgement and 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, 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 audit. We remain solely responsible for our audit opinion.

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

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

safeguards.

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

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 23,097,322	25	\$ 20,857,916	20
1110	Financial assets at fair value through profit or loss - current	6(2)	199,790	-	98,813	-
1150	Notes receivable, net	6(4)	-	-	15	-
1170	Accounts receivable, net	6(4)	9,930,666	11	19,448,440	18
1180	Accounts receivable - related parties	7	24,509,433	27	11,561,466	11
1200	Other receivables		216,812	-	256,197	-
130X	Inventories, net	6(6)	18,473,773	20	37,801,095	36
1410	Prepayments		1,450,636	1	1,634,942	2
11XX	Total current assets		<u>77,878,432</u>	<u>84</u>	<u>91,658,884</u>	<u>87</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	71,791	-	104,847	-
1550	Investments accounted for under equity method	6(7)	10,426,515	12	9,625,531	9
1600	Property, plant and equipment	6(8)	2,669,341	3	2,654,661	3
1755	Right-of-use assets	6(9)	222,450	-	80,030	-
1840	Deferred income tax assets	6(22)	920,991	1	930,235	1
1900	Other non-current assets		18,247	-	26,832	-
15XX	Total non-current assets		<u>14,329,335</u>	<u>16</u>	<u>13,422,136</u>	<u>13</u>
1XXX	Total assets		<u>\$ 92,207,767</u>	<u>100</u>	<u>\$ 105,081,020</u>	<u>100</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ -	-	\$ 2,000,000	2
2120	Financial liabilities at fair value through profit or loss - current	6(2)	167,284	-	15,708	-
2130	Current contract liabilities	6(17)	1,197,288	1	411,174	-
2170	Accounts payable		12,048,809	13	33,416,836	32
2180	Accounts payable - related parties	7	19,661,707	21	-	-
2200	Other payables	6(11)	4,687,069	5	6,721,417	6
2220	Other payables - related parties	7	488,416	1	5,492,631	5
2230	Current income tax liabilities		384,633	1	2,878,632	3
2250	Provisions for liabilities - current	6(13)	1,168,922	1	1,232,491	1
2280	Current lease liabilities		95,187	-	62,649	-
2365	Refund liabilities-current		3,444,272	4	4,775,490	5
2399	Other current liabilities, others		23,039	-	638,091	1
21XX	Total current Liabilities		<u>43,366,626</u>	<u>47</u>	<u>57,645,119</u>	<u>55</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	6,501	-	16,621	-
2580	Non-current lease liabilities		127,854	-	18,107	-
2640	Net defined benefit liability, non-current	6(12)	169,988	1	211,818	-
2670	Other non-current liabilities, others		138,209	-	109,035	-
25XX	Total non-current liabilities		<u>442,552</u>	<u>1</u>	<u>355,581</u>	<u>-</u>
2XXX	Total Liabilities		<u>43,809,178</u>	<u>48</u>	<u>58,000,700</u>	<u>55</u>
Equity						
Share capital						
3110	Share capital - common stock	6(14)	8,448,562	9	8,448,562	8
Capital surplus						
3200	Capital surplus	6(15)	805,068	1	804,516	1
Retained earnings						
3310	Legal reserve	6(16)	8,028,953	9	6,336,840	6
3320	Special reserve		901,794	1	674,458	1
3350	Unappropriated retained earnings		30,917,333	33	31,717,738	30
Other equity interest						
3400	Other equity interest		(703,121)	(1)	(901,794)	(1)
3XXX	Total equity		<u>48,398,589</u>	<u>52</u>	<u>47,080,320</u>	<u>45</u>
3X2X	Total liabilities and equity		<u>\$ 92,207,767</u>	<u>100</u>	<u>\$ 105,081,020</u>	<u>100</u>

Year ended December 31

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

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17) and 7	\$ 177,538,166	100	\$ 197,058,352	100
5000	Operating costs	6(6)(20) and 7	(156,197,454)	(88)	(162,729,092)	(83)
5900	Operating margin		21,340,712	12	34,329,260	17
5910	Unrealised profit from sales		(101,513)	-	-	-
5950	Net operating margin		21,239,199	12	34,329,260	17
	Operating expenses	6(20) and 7				
6100	Selling expenses		(7,048,387)	(4)	(9,744,185)	(5)
6200	General and administrative expenses		(992,468)	(1)	(1,263,743)	(1)
6300	Research and development expenses		(3,771,580)	(2)	(4,717,098)	(2)
6450	Expected credit (loss) gain	6(4)	(30,643)	-	5,370	-
6000	Total operating expenses		(11,843,078)	(7)	(15,719,656)	(8)
6900	Operating profit		9,396,121	5	18,609,604	9
	Non-operating income and expenses					
7100	Interest income	6(18)	103,962	-	43,303	-
7010	Other income		179,405	-	386,669	-
7020	Other gains and losses	6(2)(19)	1,718,830	1	(291,669)	-
7050	Finance costs		(25,859)	-	(11,120)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	677,380	1	1,528,887	1
7000	Total non-operating income and expenses		2,653,718	2	1,656,070	1
7900	Profit before income tax		12,049,839	7	20,265,674	10
7950	Income tax expense	6(22)	(2,087,319)	(1)	(3,344,669)	(1)
8200	Profit for the year		\$ 9,962,520	6	\$ 16,921,005	9
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plans	6(12)	\$ 34,392	-	\$ 150	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(33,056)	-	(19,491)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(266)	-	9,395	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		1,070	-	(9,946)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		225,117	-	(217,270)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		225,117	-	(217,270)	-
8300	Total other comprehensive income (loss) for the year		\$ 226,187	-	(\$ 227,216)	-
8500	Total comprehensive income for the year		\$ 10,188,707	6	\$ 16,693,789	9
	Earnings per share (in dollars)	6(23)				
9750	Basic earnings per share			11.79		20.03
9850	Diluted earnings per share			11.65		19.78

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

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves				Retained Earnings			Other equity interest		Total equity	
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Donated assets received	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income
<u>2021</u>												
Balance at January 1, 2021		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,028	\$ 44,460	\$ 5,541,298	\$ 794,525	\$ 20,625,711	(\$ 646,821)	(\$ 27,637)	\$ 35,539,852
Profit for the year		-	-	-	-	-	-	16,921,005	-	-	-	16,921,005
Other comprehensive income (loss) for the year		-	-	-	-	-	-	120	(217,270)	(10,066)	(227,216)	
Total comprehensive income (loss)		-	-	-	-	-	-	16,921,125	(217,270)	(10,066)	16,693,789	
Appropriation of 2020 earnings	6(16)											
Legal reserve		-	-	-	-	795,542	-	(795,542)	-	-	-	-
Special reserve		-	-	-	-	-	(120,067)	120,067	-	-	-	-
Cash dividends		-	-	-	-	-	-	(5,153,623)	-	-	-	(5,153,623)
Due to donated assets received		-	-	-	302	-	-	-	-	-	-	302
Balance at December 31, 2021		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,330	\$ 44,460	\$ 6,336,840	\$ 674,458	\$ 31,717,738	(\$ 864,091)	(\$ 37,703)	\$ 47,080,320
<u>2022</u>												
Balance at January 1, 2022		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,330	\$ 44,460	\$ 6,336,840	\$ 674,458	\$ 31,717,738	(\$ 864,091)	(\$ 37,703)	\$ 47,080,320
Profit for the year		-	-	-	-	-	-	-	9,962,520	-	-	9,962,520
Other comprehensive income (loss) for the year		-	-	-	-	-	-	27,514	225,117	(26,444)	226,187	
Total comprehensive income (loss)		-	-	-	-	-	-	9,990,034	225,117	(26,444)	10,188,707	
Appropriation of 2021 earnings	6(16)											
Legal reserve		-	-	-	-	1,692,113	-	(1,692,113)	-	-	-	-
Special reserve		-	-	-	-	-	227,336	(227,336)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(8,870,990)	-	-	-	(8,870,990)
Due to donated assets received		-	-	-	552	-	-	-	-	-	-	552
Balance at December 31, 2022		\$ 8,448,562	\$ 628,134	\$ 130,592	\$ 1,882	\$ 44,460	\$ 8,028,953	\$ 901,794	\$ 30,917,333	(\$ 638,974)	(\$ 64,147)	\$ 48,398,589

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

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 12,049,839	\$ 20,265,674
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including right-of-use assets)	6(8)(9)(20)	326,442	329,470
Amortization	6(20)	-	3
Expected credit loss (gain)	6(4)	30,643	(5,370)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		50,599	(107,693)
Interest expense		25,859	11,120
Interest income	6(18)	(103,962)	(43,303)
Share of profit of associates and joint ventures accounted for using equity method		(677,380)	(1,528,887)
Gain on disposal of property, plant and equipment	6(19)	(19)	(7)
(Gain) loss on lease modification	6(9)	(12)	689
Unrealised profit from sales		101,513	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		15	657
Accounts receivable		9,487,131	(6,240,126)
Accounts receivable - related parties		(12,947,967)	(1,273,837)
Other receivables		45,162	(37,639)
Inventories, net		19,327,322	(10,684,719)
Prepayments		184,306	(257,343)
Changes in operating liabilities			
Current contract liabilities		786,114	212,925
Accounts payable		(21,368,027)	7,007,259
Accounts payable - related parties		19,661,707	-
Other payables		(2,033,191)	2,381,513
Other payables - related parties		(5,004,215)	528,571
Provisions for liabilities - current		(63,569)	359,262
Refund liabilities - current		(1,331,218)	1,357,368
Other current liabilities, others		(615,052)	422,216
Net defined benefit liability		(7,438)	(8,346)
Cash inflow generated from operations		17,924,602	12,689,457
Interest received		98,185	44,512
Interest paid		(27,016)	(11,885)
Income tax paid		(4,582,460)	(2,162,643)
Net cash flows from operating activities		<u>13,413,311</u>	<u>10,559,441</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortised cost		\$ -	\$ 1,000,000
Acquisition of property, plant and equipment	6(8)	(236,179)	(217,404)
Proceeds from disposal of property, plant and equipment		1,010	7
Decrease (increase) in refundable deposits		8,585	(2,112)
Net cash flows (used in) from investing activities		(226,584)	780,491
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(24)	(2,000,000)	(1,000,000)
Repayment of the principal portion of lease liabilities	6(24)	(106,057)	(107,036)
Increase in guarantee deposits received	6(24)	29,174	1,707
Cash dividends paid	6(16)	(8,870,990)	(5,153,623)
Due to donated assets received		552	302
Net cash flows used in financing activities		(10,947,321)	(6,258,650)
Net increase in cash and cash equivalents		2,239,406	5,081,282
Cash and cash equivalents at beginning of year	6(1)	20,857,916	15,776,634
Cash and cash equivalents at end of year	6(1)	\$ 23,097,322	\$ 20,857,916

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

MICRO-STAR INTERNATIONAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

MICRO-STAR INTERNATIONAL CO., LTD. (the “Company”) was incorporated as a company limited by shares under the laws of the Republic of China (R.O.C.) in August 1986 and started its operations in the same year. The Company is primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new standards and amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs that came into effect as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in

the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with "IFRSs" requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balance

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in

which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settle within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settle within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that readily convert to known amount of cash and subject to an insignificant effect of value of changes in rate. Time deposits and money market fund that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represents solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and

interest.

- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets measured at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using the equity method / Subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the

policies adopted by the Company.

- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
 - D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
 - E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
 - F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.
- (14) Property, plant and equipment
- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
 - B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
 - C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
 - D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets'

residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~55 years
Machinery and equipment	1.5~10 years
Other properties (include transportation equipment, office equipment, and leasehold improvements)	1.5~10 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly fixed payments, less any lease incentives that can be received.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost mainly comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are

recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) Provisions

Provisions of warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees, and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for

unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of

the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(25) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells motherboards, graphic card products, a variety of computer hardware, and electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from the products is recognised based on the price specified in the contract, net of the estimated value added tax, returns and volume discounts and rebates. The volume discounts to the customers are estimated based on the anticipated annual sales quantities and the right of return for defective products is estimated on the basis of historical experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The period between the transfer of the promised goods or services to the customer and payment by

the customer does not exceed one year. As a result, the Company does not adjust any of the transaction prices for the time value of money.

- (c) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2022, the carrying amount of inventories was \$18,473,773.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 1,267	\$ 1,556
Checking accounts and demand deposits	14,596,055	14,858,360
Time deposits	8,500,000	5,998,000
Total	<u>\$ 23,097,322</u>	<u>\$ 20,857,916</u>

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

Asset items	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives – Forward exchange contract	\$ 6,426	\$ 40,175
Derivatives – Foreign exchange swap	193,364	58,638
	\$ 199,790	\$ 98,813

Liability items	December 31, 2022	December 31, 2021
Financial liabilities held for trading		
Derivatives – Forward exchange contract	\$ 167,284	\$ 15,708

A. The Company recognised net (loss) gain of (\$1,042,669) and \$474,823 for the years ended December 31, 2022 and 2021, respectively.

B. The Company entered into contracts related to derivative financial assets and liabilities which were not accounted for under hedge accounting. The contract information are as follows:

December 31, 2022			
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	CAD	7,500	2022.11.07~2023.03.24
"	CNY	172,308	2022.12.05~2023.05.24
"	GBP	4,800	2022.12.07~2023.03.01
"	SEK	6,136	2022.12.02~2023.03.01
Foreign exchange swap	USD	450,000	2022.10.05~2023.03.16

December 31, 2022			
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	GBP	4,300	2022.11.30~2023.03.31
"	AUD	7,000	2022.10.31~2023.02.01
"	CNY	446,901	2022.10.14~2023.05.24
"	EUR	39,000	2022.09.29~2023.02.24
"	JPY	292,820	2022.12.28~2023.01.31
"	KRW	31,827,600	2022.11.29~2023.03.15

December 31, 2021			
Derivative Financial Assets	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	AUD	1,000	2021.10.27~2022.01.10
"	CAD	8,000	2021.10.12~2022.02.24
"	RUB	666,825	2021.12.09~2022.01.18
"	EUR	60,000	2021.10.14~2022.04.01
Foreign exchange swap	USD	324,000	2021.12.14~2022.05.09
"	CNY	509,265	2021.08.12~2022.04.19

December 31, 2021			
Derivative Financial Liabilities	Contract Amount Notional Principal		Contract period
	(In thousands)		
Forward exchange contracts	GBP	14,500	2021.12.13~2022.02.24
"	AUD	15,000	2021.12.08~2022.02.24
"	SEK	13,621	2021.12.29~2022.02.08
"	EUR	48,000	2021.12.06~2022.03.24

The Company entered into forward foreign exchange contracts to hedge exchange risk. However, these forward foreign exchange contracts are not accounted under Hedge Accounting.

- C. The Company has no financial assets at fair value through profit or loss pledged to others.
D. Information relating to fair value of financial assets at fair value through profit or loss is provided in Note 12(3).

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 151,975	\$ 151,975
Valuation adjustment	(80,184)	(47,128)
Total	<u>\$ 71,791</u>	<u>\$ 104,847</u>

- A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$71,791 and \$104,847 as at December 31, 2022 and 2021, respectively.
B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were \$71,791 and \$104,847, respectively.
C. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.
D. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Note 12(2) 、(3).

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ -	\$ 15
Accounts receivable	\$ 9,962,565	\$ 19,449,696
Less: Allowance for doubtful accounts	(31,899)	(1,256)
	<u>\$ 9,930,666</u>	<u>\$ 19,448,440</u>

A. The ageing analysis of accounts receivable and notes receivable :

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 7,093,455	\$ -	\$ 16,287,177	\$ 15
1 to 75 days	2,687,528	-	3,158,561	-
76 to 365 days	181,459	-	3,958	-
Over 365 days	123	-	-	-
	<u>\$ 9,962,565</u>	<u>\$ -</u>	<u>\$ 19,449,696</u>	<u>\$ 15</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables (including notes receivable) from contracts with customers amounted to \$13,210,242.

C. Most of the Company's accounts receivable have been insured, and the Company will be able to obtain insurance claims.

D. The Company does not hold any collateral.

E. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$0 and \$15; \$9,930,666 and \$19,448,440, respectively.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

The Company entered into a factoring agreement with Bank to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable, and the related information is as follows:

	December 31, 2022				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Amount available for advance	Interest rate of amount advanced
Mega International Commercial Bank	\$ 260,669	\$ 260,669	\$ -	\$ -	-
Taishin International Bank	107,032	107,032	-	-	-

December 31, 2021

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Amount available for advance	Interest rate of amount advanced
Mega International Commercial Bank	\$ 253,096	\$ 253,096	\$ -	\$ -	
Taishin International Bank	110,560	110,560	-	-	

(6) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,565,051	(\$ 172,673)	\$ 1,392,378
Work in progress	413,537	(5,184)	408,353
Finished goods	17,010,836	(337,794)	16,673,042
	<u>\$ 18,989,424</u>	<u>(\$ 515,651)</u>	<u>\$ 18,473,773</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 15,212,486	(\$ 119,602)	\$ 15,092,884
Work in progress	-	-	-
Finished goods	23,001,870	(293,659)	22,708,211
	<u>\$ 38,214,356</u>	<u>(\$ 413,261)</u>	<u>\$ 37,801,095</u>

The cost of inventories recognised as expense for the year:

	2022	2021
Cost of inventories recognised as expense	\$ 156,197,454	\$ 162,729,092
Losses of decline (gains on reversal) in market value	102,390	(9,809)

As the Company sold some inventories with net realizable value lower than its cost, the allowance for inventory obsolescence and market price decline was reversed for the year ended December 31, 2021.

(7) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD.	\$ 9,307,117	\$ 8,610,283
MICRO-STAR NETHERLANDS HOLDING B.V.	753,056	671,607
MSI COMPUTER (CAYMAN) CO., LTD.	127,992	114,509
MSI COMPUTER CORP.	195,626	194,411
MSI COMPUTER JAPAN CO., LTD.	22,850	19,903
MSI COMPUTER (AUSTRALIA) PTY. LTD.	11,885	9,696
MICRO-STAR CANADA LTD.	7,989	5,122
	<u>\$ 10,426,515</u>	<u>\$ 9,625,531</u>

A. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2022.

B. For the years ended December 31, 2022 and 2021, certain investments accounted for using equity method were MSI COMPUTER CORP., MICRO-STAR NETHERLANDS HOLDING B.V., MSI COMPUTER (CAYMAN) CO., LTD.,

MSI KOREA CO., LTD., MEGA COMPUTER CO., LTD. and MHK INTERNATIONAL CO., LTD., such investments were recognised based on the investees' financial statements audited by other independent auditors and the portion of above- mentioned subsidiaries accounted for using equity method was \$32,214 and \$265,591, respectively.

(8) Property, plant and equipment

	2022				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	\$ 1,331,538	\$ 1,547,385	\$ 712,481	\$ 533,237	\$ 4,124,641
Accumulated depreciation	-	(665,563)	(469,603)	(334,814)	(1,469,980)
	<u>\$ 1,331,538</u>	<u>\$ 881,822</u>	<u>\$ 242,878</u>	<u>\$ 198,423</u>	<u>\$ 2,654,661</u>
Balance at January 1	\$ 1,331,538	\$ 881,822	\$ 242,878	\$ 198,423	\$ 2,654,661
Additions	-	15,677	87,374	133,128	236,179
Disposals	-	-	-	(991)	(991)
Reclassifications	-	43,267	25,106	(68,373)	-
Depreciation charge	-	(48,255)	(94,892)	(77,361)	(220,508)
Balance at December 31	<u>\$ 1,331,538</u>	<u>\$ 892,511</u>	<u>\$ 260,466</u>	<u>\$ 184,826</u>	<u>\$ 2,669,341</u>
At December 31					
Cost	\$ 1,331,538	\$ 1,606,329	\$ 786,447	\$ 564,856	\$ 4,289,170
Accumulated depreciation	-	(713,818)	(525,981)	(380,030)	(1,619,829)
	<u>\$ 1,331,538</u>	<u>\$ 892,511</u>	<u>\$ 260,466</u>	<u>\$ 184,826</u>	<u>\$ 2,669,341</u>
	2021				
	Land	Buildings	Machineries	Others	Total
At January 1					
Cost	\$ 1,331,538	\$ 1,524,018	\$ 640,751	\$ 429,069	\$ 3,925,376
Accumulated depreciation	-	(623,233)	(395,570)	(245,905)	(1,264,708)
	<u>\$ 1,331,538</u>	<u>\$ 900,785</u>	<u>\$ 245,181</u>	<u>\$ 183,164</u>	<u>\$ 2,660,668</u>
Balance at January 1	\$ 1,331,538	\$ 900,785	\$ 245,181	\$ 183,164	\$ 2,660,668
Additions	-	11,829	76,210	129,365	217,404
Reclassifications	-	11,538	2,647	(14,185)	-
Depreciation charge	-	(42,330)	(81,160)	(99,921)	(223,411)
Balance at December 31	<u>\$ 1,331,538</u>	<u>\$ 881,822</u>	<u>\$ 242,878</u>	<u>\$ 198,423</u>	<u>\$ 2,654,661</u>
At December 31					
Cost	\$ 1,331,538	\$ 1,547,385	\$ 712,481	\$ 533,237	\$ 4,124,641
Accumulated depreciation	-	(665,563)	(469,603)	(334,814)	(1,469,980)
	<u>\$ 1,331,538</u>	<u>\$ 881,822</u>	<u>\$ 242,878</u>	<u>\$ 198,423</u>	<u>\$ 2,654,661</u>

(9) Leasing arrangements – lessee

- A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 3 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 218,739	\$ 75,565
Transportation equipment	3,711	4,465
	<u>\$ 222,450</u>	<u>\$ 80,030</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 101,841	\$ 102,726
Transportation equipment	4,093	3,333
	<u>\$ 105,934</u>	<u>\$ 106,059</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$234,548 and \$30,747, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,314	\$ 1,282
Expense on leases of low-value and short-term assets	15,499	11,715
Expense on variable lease payments	20,072	27,493
Gain (loss) on lease modification	12 (689)

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$142,942 and \$147,526, respectively.

(10) Short-term borrowings

As at December 31, 2022, the Company has no short-term borrowings.

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 2,000,000</u>	0.68%~0.78%	None

(11) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued salary and bonus	\$ 1,100,950	\$ 1,813,914
Accrued freight and import/export expense	1,070,759	1,780,045
Directors' remuneration and employees' compensation	956,800	1,647,800
Advertising expense payable	495,235	734,784
Accrued molding expense	354,692	349,850
Other accrued expenses	708,633	395,024
	<u>\$ 4,687,069</u>	<u>\$ 6,721,417</u>

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess

the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 533,958	\$ 538,812
Fair value of plan assets	(363,970)	(326,994)
Net defined benefit liability	<u>\$ 169,988</u>	<u>\$ 211,818</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2022</u>			
Balance at January 1	\$ 538,812	(\$ 326,994)	\$ 211,818
Current service cost	3,100	-	3,100
Interest expense (income)	<u>3,772</u>	<u>(2,289)</u>	<u>1,483</u>
	<u>545,684</u>	<u>(329,283)</u>	<u>216,401</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(24,272)	(24,272)
Change in financial assumptions	(27,086)	-	(27,086)
Experience adjustments	<u>16,966</u>	<u>-</u>	<u>16,966</u>
	<u>(10,120)</u>	<u>(24,272)</u>	<u>(34,392)</u>
Pension fund contribution	-	(12,021)	(12,021)
Paid pension	<u>(1,606)</u>	<u>1,606</u>	<u>-</u>
Balance at December 31	<u>\$ 533,958</u>	<u>(\$ 363,970)</u>	<u>\$ 169,988</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2021</u>			
Balance at January 1	\$ 535,344	(\$ 315,030)	\$ 220,314
Current service cost	2,862	-	2,862
Interest expense (income)	<u>1,606</u>	<u>(945)</u>	<u>661</u>
	<u>539,812</u>	<u>(315,975)</u>	<u>223,837</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(4,739)	(4,739)
Change in population assumptions	440	-	440
Change in financial assumptions	(20,605)	-	(20,605)
Experience adjustments	<u>24,754</u>	<u>-</u>	<u>24,754</u>
	<u>4,589</u>	<u>(4,739)</u>	<u>(150)</u>
Pension fund contribution	-	(11,869)	(11,869)
Paid pension	<u>(5,589)</u>	<u>5,589</u>	<u>-</u>
Balance at December 31	<u>\$ 538,812</u>	<u>(\$ 326,994)</u>	<u>\$ 211,818</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from

the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.30%</u>	<u>0.70%</u>
Future salary increases	<u>2.75%</u>	<u>2.75%</u>

Assumptions regarding future mortality experience are set based on the sixth round of empirical life tables of the Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 10,678)	\$ 11,029	\$ 9,589	(\$ 9,346)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 12,052)	\$ 12,472	\$ 10,852	(\$ 10,559)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$12,092.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 96,566
1-2 years	23,571
2-3 years	20,075
3-4 years	25,080
4-5 years	39,125
6-10 years	155,214
Over 10 years	<u>235,834</u>
	<u>\$ 595,465</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$132,404 and \$125,277, respectively.

(13) Provisions for liabilities

Warranty	2022	2021
At January 1	\$ 1,232,491	\$ 873,229
Additional provisions	850,471	1,177,540
Used during the period	(914,033)	(818,343)
Exchange differences	(7)	65
At December 31	<u>\$ 1,168,922</u>	<u>\$ 1,232,491</u>
Analysis of total provisions:		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 1,168,922</u>	<u>\$ 1,232,491</u>

The Company gives warranties on computer components and personal computers sold. Provision for warranty is estimated based on historical warranty data.

(14) Share capital

As of December 31, 2022, the Company's authorized capital was \$15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$8,448,562 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. A company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside or reversed as legal reserve. The balance plus unappropriated retained earnings at the beginning of the period shall be appropriated 10%~90% as proposed by the Board of Directors and resolved by the stockholders during their meeting.
- B. The Company's dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company's future expansion plans, stockholders' interest is taken into consideration. The Company appropriated dividends in proportion to total number of shares, dividends could be distributed in stock or cash, and cash dividends shall account for at least 30% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriations of 2021 and 2020 earnings had been resolved at the stockholders' meeting on June 10, 2022 and July 16, 2021, respectively as follows:

	2021		2020	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Legal reserve	\$ 1,692,113		\$ 795,542	
Special reserve	227,336		(120,067)	
Cash dividend	8,870,990	\$ 10.50	5,153,623	\$ 6.10

- F. The appropriations of 2022 earnings has been resolved at the Board of Directors' meeting on March 14, 2023 as follows:

	2022	
	Amount	Dividends per share (dollar)
Legal reserve	\$ 999,003	
Special reserve	(198,673)	
Cash dividend	5,576,051	\$ 6.60

As of the date of this financial report, the appropriations of 2022 earnings has not been resolved at the stockholders' meeting.

- G. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(21).

(17) Operating revenue

- A. The Company derives revenue from the transfer of goods at a point in time in the following major segment:

2022	Computer and peripherals segment	Other	Total
	Total segment revenue	\$ 177,490,293	\$ 47,873
Timing of revenue recognition			
At a point in time	\$ 177,490,293	\$ 47,873	\$ 177,538,166

2021	Computer and peripherals segment	Other	Total
	Total segment revenue	\$ 197,055,978	\$ 2,374
Timing of revenue recognition			
At a point in time	\$ 197,055,978	\$ 2,374	\$ 197,058,352

- B. Contract assets and liabilities

- (a) The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities - prepayment	\$ 1,197,288	\$ 411,174	\$ 198,249

- (b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Prepayment	\$ 386,979	\$ 174,054
(18) <u>Interest income</u>		
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 91,007	\$ 30,975
Interest income from financial assets measured at amortised cost	12,955	12,328
Total	<u>\$ 103,962</u>	<u>\$ 43,303</u>
(19) <u>Other gains and losses</u>		
	<u>2022</u>	<u>2021</u>
(Losses) gains on financial assets liabilities at fair value through profit or loss	(\$ 1,042,669)	\$ 474,823
Net currency exchange gains (losses)	2,784,923	(760,646)
Gains on disposal of property, plant and equipment	19	7
Other losses	(23,443)	(5,853)
	<u>\$ 1,718,830</u>	<u>(\$ 291,669)</u>
(20) <u>Expenses by nature</u>		
	<u>2022</u>	<u>2021</u>
Employee benefit expense	\$ 5,563,912	\$ 7,389,336
Depreciation charges	326,442	329,470
Amortisation charges	-	3
	<u>\$ 5,890,354</u>	<u>\$ 7,718,809</u>
(21) <u>Employee benefit expense</u>		
	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 4,855,613	\$ 6,708,659
Labor and health insurance fees	335,921	293,676
Pension costs	136,987	128,800
Directors' remuneration	74,800	107,800
Other personnel expenses	160,591	150,401
Total	<u>\$ 5,563,912</u>	<u>\$ 7,389,336</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 6%~10% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$882,000 and \$1,540,000, respectively; while directors' remuneration was accrued at \$74,800 and \$107,800, respectively. The aforementioned amounts were recognised in salary expenses respectively.

The employees' compensation and directors' remuneration were estimated and accrued based on the historical distribution ratio and the profit of the current year for the year ended December 31, 2022.

Employees' compensation and directors' remuneration of 2021 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the "Market Observation Post System" website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 2,159,226	\$ 3,630,245
Prior year income tax overestimation	(70,765)	(88,574)
Total current tax	<u>2,088,461</u>	<u>3,541,671</u>
Deferred tax:		
Origination and reversal of temporary differences	(1,142)	(197,002)
Total deferred tax	<u>(1,142)</u>	<u>(197,002)</u>
Income tax expense	<u>\$ 2,087,319</u>	<u>\$ 3,344,669</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income:

	<u>2022</u>	<u>2021</u>
Remeasurement of defined benefit obligations	(\$ 6,878)	(\$ 30)
Unrealized gain or losses on fair value through other comprehensive income financial assets	<u>6,612</u>	<u>9,425</u>
Income tax expense	<u>(\$ 266)</u>	<u>\$ 9,395</u>

B. Reconciliation between income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 2,409,968	\$ 4,053,135
Effect from items disallowed by tax regulation	74,000	24,000
Temporary differences not recognised as deferred tax liabilities	(135,476)	(305,778)
Effect from investment tax credits	(494,113)	(407,669)
Effect of different tax rates in countries in which the group operates	5,324	(32,494)
Tax on undistributed earnings	298,381	102,049
Prior year income tax overestimation	<u>(70,765)</u>	<u>(88,574)</u>
Income tax expense	<u>\$ 2,087,319</u>	<u>\$ 3,344,669</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognised in		December 31
		profit or loss	in other comprehensive income	
Temporary differences:				
-Deferred tax assets:				
Unrealized losses on inventory valuation	\$ 82,653	\$ 20,477	\$ -	\$ 103,130
Unrealized gross profit	568,203	(36,369)	-	531,834
Remeasurement of defined benefit obligations	35,126	-	(6,878)	28,248
Unrealized exchange loss	15,254	2,902	-	18,156
Unrealized loss on financial assets at fair value through other comprehensive income	9,425	-	6,612	16,037
Others	219,574	4,012	-	223,586
Subtotal	<u>930,235</u>	<u>(8,978)</u>	<u>(266)</u>	<u>920,991</u>
-Deferred tax liabilities:				
Unrealized gain on financial assets (liabilities) at fair value through profit or loss	(16,621)	10,120	-	(6,501)
Subtotal	<u>(16,621)</u>	<u>10,120</u>	<u>-</u>	<u>(6,501)</u>
Total	<u>\$ 913,614</u>	<u>\$ 1,142</u>	<u>(\$ 266)</u>	<u>\$ 914,490</u>
	2021			
	January 1	Recognised in		December 31
		profit or loss	in other comprehensive income	
Temporary differences:				
-Deferred tax assets:				
Unrealized losses on inventory valuation	\$ 84,614	(\$ 1,961)	\$ -	\$ 82,653
Unrealized gross profit	438,111	130,092	-	568,203
Remeasurement of defined benefit obligations	35,156	-	(30)	35,126
Unrealized exchange loss	-	15,254	-	15,254
Unrealized loss on financial assets at fair value through other comprehensive income	-	-	9,425	9,425
Unrealized loss on financial assets (liabilities) at fair value through profit or loss	4,918	(4,918)	-	-
Others	150,502	69,072	-	219,574
Subtotal	<u>713,301</u>	<u>207,539</u>	<u>9,395</u>	<u>930,235</u>
-Deferred tax liabilities:				
Unrealized exchange gain	(6,084)	6,084	-	-
Unrealized gain on financial assets (liabilities) at fair value through profit or loss	-	(16,621)	-	(16,621)
Subtotal	<u>(6,084)</u>	<u>(10,537)</u>	<u>-</u>	<u>(16,621)</u>
Total	<u>\$ 707,217</u>	<u>\$ 197,002</u>	<u>\$ 9,395</u>	<u>\$ 913,614</u>

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2022 and 2021, the amounts

(24) Changes in liabilities from financing activities

	2022			
	Short-term borrowings	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 2,000,000	\$ 80,756	\$ 109,035	\$ 2,189,791
Changes in cash flow from financing activities	(2,000,000)	(106,057)	29,174	(2,076,883)
Changes in other non-cash items	-	248,342	-	248,342
At December 31	<u>\$ -</u>	<u>\$ 223,041</u>	<u>\$ 138,209</u>	<u>\$ 361,250</u>
	2021			
	Short-term borrowings	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 3,000,000	\$ 160,623	\$ 107,328	\$ 3,267,951
Changes in cash flow from financing activities	(1,000,000)	(107,036)	1,707	(1,105,329)
Changes in other non-cash items	-	27,169	-	27,169
At December 31	<u>\$ 2,000,000</u>	<u>\$ 80,756</u>	<u>\$ 109,035</u>	<u>\$ 2,189,791</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by public, therefore there is no ultimate parent and controlling party.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
MSI COMPUTER (AUSTRALIA) PTY. LTD. [MSI (AUSTRALIA)]	Subsidiary
MSI COMPUTER CORP. [MSI (LA)]	Subsidiary
MSI COMPUTER JAPAN CO., LTD. [MSI (JAPAN)]	Subsidiary
MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Subsidiary
MSI PACIFIC INTERNATIONAL HOLDING CO., LTD. [MSI(PACIFIC)]	Subsidiary
MICRO-STAR CANADA LTD. [MSI (CANADA)]	Subsidiary
MSI COMPUTER SARL [MSI (SARL)]	Second-tier subsidiary
MYSTAR COMPUTER B.V. [MYSTAR]	Second-tier subsidiary
MSI COMPUTER (UK) LTD. [MSI (UK)]	Second-tier subsidiary
MSI KOREA CO., LTD. [MSI (KOREA)]	Second-tier subsidiary
MSI POLSKA SP. Z O.O. [MSI (POLSKA)]	Second-tier subsidiary
MSI ITALY S.R.L. [MSI (ITALY)]	Second-tier subsidiary

Names of related parties	Relationship with the Company
MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Second-tier subsidiary
LLC MSI COMPUTER [MSI (RUSSIA)]	Second-tier subsidiary
MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	Second-tier subsidiary
MEGA COMPUTER CO., LTD. [MEGA COMPUTER]	Second-tier subsidiary
MSI IBERIA S.L. [MSI IBERIA]	Second-tier subsidiary
SHENZHEN MEGA INFORMATION CO., LTD. [MSI SHENZHEN]	Second-tier subsidiary
MSI ELECTRONICS (KUNSHAN) CO., LTD.[MSI ELECTRONICS (KUNSHAN)]	Second-tier subsidiary
MSI COMPUTER (SHENZHEN) CO., LTD.[MSI COMPUTER (SHENZHEN)]	Second-tier subsidiary

(3) Significant related party transactions

A. Sales revenue, net

	2022	2021
Sales of goods:		
MSI (LA)	\$ 34,847,326	\$ 33,939,565
Others	17,839,178	17,958,744
Total	<u>\$ 52,686,504</u>	<u>\$ 51,898,309</u>

The sales price and payment terms to related parties were not significantly different from those sales to third parties.

B. Purchases, net

	2022	2021
Purchases of goods:		
MSI COMPUTER (SHENZHEN)	\$ 81,473,352	\$ -
MSI ELECTRONICS (KUNSHAN)	49,624,543	-
	<u>\$ 131,097,895</u>	<u>\$ -</u>

(1) Goods and services are purchased from second-tier subsidiary on normal commercial terms and conditions.

(2) For the year ended December 31, 2021, the Company subcontracts second-tier subsidiary to process finished goods by providing materials. For the year ended December 31, 2022, the second-tier subsidiary subcontracts the Company to buy materials, and sells back finished goods after processing.

C. Manufacturing expense - processing costs

	2022	2021
Second-tier Subsidiary:		
MSI ELECTRONICS (KUNSHAN)	\$ -	\$ 1,854,892
MSI COMPUTER (SHENZHEN)	-	3,756,620
Total	<u>\$ -</u>	<u>\$ 5,611,512</u>

- (1) For the year ended December 31, 2021, the Company subcontracts manufacturing to a second-tier subsidiary through first-tier subsidiary. The transaction model is that the Company provides raw materials, mutually agreed with the second-tier subsidiary to process the products based on quantities, amounts and lead time of orders. The manner of carrying out the processing trade with the second-tier subsidiary is in accordance with (1998) Tai-Cai-Zheng (6) Letter No. 00747 of Securities and Futures Commission, Ministry of Finance, R.O.C.
- (2) For the year ended December 31, 2022, the second-tier subsidiary subcontracts the Company to buy materials, and sells back finished goods after processing.

D. Operating expenses - after-sales service and marketing expense

	<u>2022</u>	<u>2021</u>
Purchases of services:		
Others	\$ 2,689,247	\$ 2,856,805

The Company recognised the operating expenses monthly based on the amount of services provided by subsidiaries and second-tier subsidiaries, with the same credit term available to third parties.

E. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
MSI (LA)	\$ 7,339,535	\$ 9,552,534
Others	17,169,898	2,008,932
Total	\$ 24,509,433	\$ 11,561,466

Accounts receivable mainly arises from sales, with the same credit term available to third parties.

F. Payables to related parties

(a) Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
MSI COMPUTER (SHENZHEN)	\$ 11,376,749	\$ -
MSI ELECTRONICS (KUNSHAN)	8,284,958	-
Total	\$ 19,661,707	\$ -

The accounts payable to related parties arise mainly from purchase transactions and bear no interest.

(b) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables:		
MSI (PACIFIC)	\$ 239,092	\$ 5,162,082
Others	249,324	330,549
	\$ 488,416	\$ 5,492,631

As of December 31, 2021, other payables mainly arises from processing costs and purchases of services. As of December 31, 2022, other payables mainly arises from purchases of services, with the same credit term available to third parties.

(4) Key management compensation

	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 561,107	\$ 726,882
Post-employment benefits	1,944	2,012
Total	<u>\$ 563,051</u>	<u>\$ 728,894</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies : None.

(2) Commitments : None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company passed the appropriations of 2022 earnings through the Board of Directors on March 14, 2023, please refer to Note 6(16).

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase outstanding shares.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 199,790	\$ 98,813
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	71,791	104,847
Financial assets at amortised cost		
Cash and cash equivalents	23,097,322	20,857,916
Notes receivable	-	15
Accounts receivable	34,440,099	31,009,906
Other receivables	216,812	256,197
Guarantee deposits paid	18,247	26,832
	<u>\$ 58,044,061</u>	<u>\$ 52,354,526</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 167,284	\$ 15,708
Financial liabilities at amortised cost		
Short-term borrowings	-	2,000,000
Accounts payable	31,710,516	33,416,836
Other accounts payables	5,175,485	12,214,048
Guarantee deposits received	138,209	109,035
	<u>\$ 37,191,494</u>	<u>\$ 47,755,627</u>
Lease liabilities	<u>\$ 223,041</u>	<u>\$ 80,756</u>

B. Risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to manage their foreign exchange risk against their functional currency.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- v. The Company's businesses involve some non-functional currency

operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,075,536	30.7100	\$ 33,029,703
RMB:NTD	415,799	4.4080	1,832,841
EUR: NTD	26,759	32.7200	875,548
<u>Non-monetary items</u>			
USD: NTD	313,603	30.7100	9,630,735
EUR: NTD	23,015	32.7200	753,056
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1,149,684	30.7100	35,306,798
December 31, 2021			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 1,416,016	27.6800	\$ 39,195,325
RMB:NTD	777,489	4.3440	3,377,414
EUR: NTD	98,889	31.3200	3,097,198
<u>Non-monetary items</u>			
USD: NTD	322,280	27.6800	8,920,706
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1,330,426	27.6800	36,826,180
RMB:NTD	1,324,703	4.3440	5,754,511

- vi. The exchange gains (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 amounted to \$2,784,923 and (\$760,646), respectively.
- vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

2022			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 330,297	\$ -
RMB:NTD	1%	18,328	-
EUR: NTD	1%	8,755	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	353,068	-
2021			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 391,953	\$ -
RMB:NTD	1%	33,774	-
EUR: NTD	1%	30,972	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	368,262	-
RMB:NTD	1%	57,545	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. The Company has investments in equity securities. The prices of equity securities would change due to the change in the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2022 and 2021 would have increased/decreased by \$574 and \$839, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay

- in full the accounts receivable, notes receivable and financial assets at amortised cost cash flow based on the agreed terms.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only parties with a rating of investment grade are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables.
 - iii. The Company adopts assumptions, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 150 days.
 - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
 - vi. The Company applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
 - vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
 - viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of debt instrument on December 31, 2022 and 2021. The expected credit loss rate of the Company's overdue accounts receivable was not material as of December 31, 2022 and 2021.
 - ix. The Company applies the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Company had not recognized the related impact as at December 31, 2022 and 2021.
- (c) Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient

cash to meet operational needs. Such forecasting takes into consideration the Company's internal balance sheet ratio targets and external regulatory or legal requirements.

- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2022				
Accounts payable	\$ 31,710,516	\$ -	\$ -	\$ -
Other payables	5,175,485	-	-	-
Lease liabilities	96,232	80,966	39,295	8,401
Other financial liabilities	100	1,210	-	136,899

Non-derivative financial liabilities:

	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
December 31, 2021				
Short-term borrowings	\$ 2,001,156	\$ -	\$ -	\$ -
Accounts payable	33,416,836	-	-	-
Other payables	12,214,048	-	-	-
Lease liabilities	62,700	13,780	3,739	456
Other financial liabilities	300	1,007	-	107,728

Derivative financial liabilities

As of December 31, 2022 and 2021, the derivative financial liabilities mature within 1 year.

- iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on going basis.

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.

B. Financial instruments not measured at fair value

The Company's cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits received are approximate to their fair values.

The transaction value information is provided in Note 12(2)A.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 6,426	\$ -	\$ 6,426
-Foreign exchange swap	-	193,364	-	193,364
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	71,791	71,791
Total	<u>\$ -</u>	<u>\$ 199,790</u>	<u>\$ 71,791</u>	<u>\$ 271,581</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 167,284	\$ -	\$ 167,284
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 40,175	\$ -	\$ 40,175
-Foreign exchange swap	-	58,638	-	58,638
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	104,847	104,847
Total	<u>\$ -</u>	<u>\$ 98,813</u>	<u>\$ 104,847</u>	<u>\$ 203,660</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	\$ -	\$ 15,708	\$ -	\$ 15,708

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2022 and 2021, there was no transfer in or out from Level 3.

G. The Company entrusts an external evaluation agency to evaluate the fair value classified as Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Derivative financial instruments transactions: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to table 7.

(4) Minority shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

Not applicable.

Detailed tables are attached from **Page 167 to 176**.

Micro Star International Co., Ltd.

Chairman: Hsu, Hsiang