

6. Risk analysis and assessment in the recent year and as of publication date of annual report.

If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. Discussion and Analysis of Financial Status and Operating Results and Risk Management

1. Financial Status

Nonconsolidated Financial Statements

Item \ Year	2023	2022	Difference	
			Amount	%
Current Assets	\$ 48,194,283	\$ 49,776,657	(\$ 1,582,374)	(3.18)
Investment	2,003,163	447,117	1,556,046	348.02
Real estate, Plant & Equipment	56,923,703	64,818,236	(7,894,533)	(12.18)
Intangible Assets	1,107,074	1,125,632	(18,558)	(1.65)
Other Assets	2,926,342	2,801,496	124,846	4.46
Total Assets	111,154,565	118,969,138	(7,814,573)	(6.57)
Current Liabilities	16,508,127	19,614,752	(3,106,625)	(15.84)
Long-term Liabilities	25,539,955	33,031,348	(7,491,393)	(22.68)
Total Liabilities	42,048,082	52,646,100	(10,598,018)	(20.13)
Capital Stock	7,591,466	7,591,466	0	0
Capital Surplus	237,071	149,540	87,531	58.53
Retained Earnings	48,242,061	45,551,199	2,690,862	5.91
Other shareholders' Equity	(732,267)	(534,445)	(197,822)	(37.01)
Treasury Stock	(468,802)	(468,802)	0	0
Equity Belong to Parent Company	54,869,529	52,288,958	2,580,571	4.94
Non-Controlling Interests	14,236,954	14,034,080	202,874	1.45
Total Shareholders' Equity	69,106,483	66,323,038	2,783,445	4.2
Reason for Major Difference:				
1. Increased investment: It is mainly caused by the new equity method of new equity laws and interests. It has not had a significant impact on the company.				
2. Non -liabilities decrease: It is mainly due to the reduction of long -term loans and has no significant impact on the company.				
3. Increased capital reserve: The main department of the main department was caused by the cancellation of stocks in 2022, which had no significant impact on the company.				
4. The reduction of other rights and interests: It is mainly due to the reduction of the redeem benefits of the converts of financial statements in foreign operating institutions in 2023, which has not had a significant impact on the company.				

Note: The listed numbers were from consolidated report and audited by CPA using IFRS.

2. Operating Results

(1) Comparison and Analysis Table for Operating Results for Last Two Years

Nonconsolidated Financial Statements

Unit: NT\$ Thousands

Item	Year	2023	2022	Increase (Decrease)	Difference (%)	Analysis
Net Sales		\$ 70,440,945	\$ 83,926,735	(\$ 13,485,790)	(16.07)	
Cost of Sales		57,831,970	66,550,715	(8,718,745)	(13.10)	
Gross Profit		12,608,975	17,376,020	(4,767,045)	(27.43)	1
Operating Expenses		4,455,409	4,928,003	(472,594)	(9.59)	
Operating Income		8,153,566	12,448,017	(4,294,451)	(34.50)	2
Non-Operating Income/Expenses		3,889,550	1,191,909	2,697,641	226.33	3
Net Income Before Tax		12,043,116	13,639,926	(1,596,810)	(11.71)	4
Income Tax Expense		2,533,978	2,888,077	(354,099)	(12.26)	
Net Income		9,509,138	10,751,849	(1,242,711)	(11.56)	4
Analysis of Difference over 20%						
1. Decreased operating gross profit: It is mainly factors such as decreased market demand, customer adjustment in inventory, reduced customer orders, and the overall capacity utilization rate.						
2. Decrease in net profit business: It is mainly caused by the decrease in business gross profit.						
3. Increase in business income and expenditure: It is mainly due to the interests of the subsidiary of the subsidiary.						
4. Pure profit of pre -tax and decrease in this period of net profit: It is mainly due to the reduction of operating net profit.						

Note: The listed numbers were from consolidated report and audited by CPA.

(2) Revenue Forecast and Financial Impact:

Please see 2023 Operation Report for details.

3. Cash Flow

(1) Cash Flow Analysis for 2023

Unit: NT\$ Thousand

Beginning Cash Balance 1/1/2023	2023 Cash Flow from Operating Activities	2023 Cash Flow from Investing Activities	2023 Cash Flow from Financing Activities	Currency Exchange for Cash and Cash Equivalent	Ending Cash Balance 12/31/2023
20,373,424	19,681,581	(5,302,594)	(13,529,971)	(142,691)	21,079,749
2023 Cash Flow Analysis : (1) Operating Activities: Increase cash inflow from change in 2023 depreciation and profit. (2) Investing Activities: Increase of cash outflow was due to acquisition of real estate, property and equipment in 2023. (3) Financing Activities: The increase of cash outflow was due to change in cash dividends payout and bank loan payment in 2023.					

(2) Cash Flow Improvement Plan

Not applicable.

(3) Cash Flow Estimation for 2024:

Unit: NT\$ Thousand

Beginning Cash Balance 1/1/2024	Estimated 2024 Cash Flow from Operating Activities	Estimated 2024 Cash Outflow	Estimated Ending Cash Balance 12/31/2024	Funding for Cash Flow Shortage	
				Investing Activities	Finance Activities
21,079,749	20,000,000	(22,000,000)	19,079,749	—	—
1. 2024 Cash Flow Analysis: (1) Operating Activities: The cash inflow is from 2024 estimated net income and depreciation. (2) Investing Activities: The cash flow is for acquisition of real estate, property, and equipment in 2024. (3) Financing Activities: The cash flow is for 2024 cash dividends payout and payback bank loan. 2. Funding for Cash Flow Shortage: Not Applicable.					

4. Effects of Major Capital Expenditures on Financial Status in Most Recent Year

Majority of 2023 PTI capital expenditures were for acquiring real estate, property and equipment. The sources of capital were from the Company's own funds and bank loans. In order to stay competitive, PTI has constantly devoted on production efficiency modification, new technology research, upgrade equipment, and capacity expansion to meet customer satisfaction.

5. Investment Policy in Recent Years, Main Causes for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year

PTI's investment policies conform with its strategies of deep cultivation of core business, strengthening of strategic alliance relationships with major clients and expansion of related industries, excepting to increase return on equity through the investment gains.

Investment Commission had approved no more than US\$51 million investment through Powertech Holding (BVI) Inc. for subsidiary Powertech Technology (Suzhou) Ltd. (PTI-Suz) for further expansion in China in 2009. Total investment for PTI-Suz was US\$216 million and register capital was US\$72 million. PTI HQ continued funding by increase capital of US\$ 28 million, and the capital increased was approved by Apr 2020 board meeting. In 2021, the register capital of PTI-Suz was US\$100 million. Because the tension of US-China trade war has intensified, which has seriously impacted the global semiconductor industries, PTI proposed to dispose 70% equity of PTI-Suz based that to utilize resources of PTI Group and implement our overall business strategy. This was approved by Board meeting on June 27, 2023. This transaction contributed NT\$3.5 EPS and was recognized in Year 2023.

Powertech Technology Akita Inc. was bought from Micron Technology in Japan. Board meeting in Aug 2020 concluded to end the operations of Powertech Technology Akita Inc. due to its poor financial performance and limited foreseeable opportunity. It is expected to complete the liquidation process in 2024.

Board meeting in Aug 2020 concluded to end the operations of Powertech Technology (Singapore) Pte. Ltd. due to its poor financial performance and transformed to holding function of Powertech Semiconductor (Xian) Co. Ltd. and Powertech Technology (Suzhou) Ltd. In Jul 2022 Board meeting had concluded for capital reduction. Filing of reduction was completed in Aug 2022. Powertech Technology Inc. had received returned capital US\$16 m in Sep 2022

Future investment plan will justify with industry condition and potential growing opportunities. Under the direction of strengthen the relationship of alliance and supply chain networking, the Board of Directors will carefully consider all the investment proposals.

6. Risk Analysis and Assessment in the Recent Year and as of Publication Date of Annual Report

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Interest Rate

The semiconductor packaging and testing industry where our company is in is capital intensive therefore large fund is required for the Company to invest into fixed assets. Besides the Company's own funds, the sources of the Company's funding are primarily bank loans, thus the Company's profitability is affected by interest rate movement. To minimize this risk, PTI compares the level of interest rates of its bank loans on a regular basis with market average rate and negotiate timely with the correspondent banks to obtain better interest rates to ensure the financing costs are at comparatively low level.

2. Foreign Exchange Rate:

(1) Effects

Exportation account for 74.28% of 2023 PTI's net sales, so the majority of trade were conducted in foreign currency and US dollars is the most common currency used. Majority of equipment and raw materials were mainly trade in US dollars and Japanese yen as well. Both import and export were affected by currency exchange rate fluctuate. 2023 net foreign exchange lost were about NT\$ 111,884 thousand.

(2) Future Response Measures

- Foreign currencies from exporting income balance out with importing expenses which creates mutual hedging effects to eliminate exchange rate risks.
- Finance staff collected information regarding changes of foreign exchange rates, including supply and demand of foreign currencies, monetary tightness condition of the correspondent banks, and trend analysis of exchange rates, which will then serve as reference information to respond to future exchange rate movements.
- To timely purchase foreign currencies based on the Company's future foreign currency requirements, in order to determine the cost and reduce the impact of movements in exchange rates.
- To use the bank credit at the right time to convert foreign currency loans to NT dollars borrowing.
- To apply financial instruments such as derivatives of forward exchange to avoid the risks of changes in exchange rates leading to exchange loss on assets, liabilities and future transactions denominated by foreign currencies.

3. Inflation:

No significant impact of inflation on the PTI's profitability and business operations in 2023.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

1. PTI has not engaged in any high-risk or high-leveraged investments.

2. According to the "Procedures for Endorsement & Guarantee", PTI may provide endorsement or guarantee for subsidiaries whose voting shares are more than 50% owned in limits. As of the end of 2023 and the date of printing, PTI did not provide endorsement or guarantee to other parties.

3. According to the “Procedures for Lending Funds to Others”, the accumulated balance of loans and total amount of loans lent to a company or business for companies or other businesses in need of funds for a short-term period shall not exceed five percent (5%) and ten percent (10%) of the net worth of the Company separately. As of the end of 2023 and the date of printing, PTI did not lend funds to other parties.
4. No major currency exchange gain or loss from currency investment as of the date of printing.

(3) Future Research and Development Plans and R&D Expenses from Expected Investments

The Company has put much emphasis on the development of talents since its establishment. Setting up a R&D department in 1998 and the R&D technology center in 2006, PTI has continually introduced new processes and technologies of packaging and testing. To adapt to the future semiconductor memory device trend towards being versatile, high-speed, highly reliable and high density and the development of new products of our customers, PTI will proactively develop and introduce new technologies in the future. PTI R&D budget is about NT\$2.57 billion for 2024.

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales.

PTI has always pay close attention to any international and domestic policies changes, and PTI will make appropriate modifications to the operating systems when necessary. As of the publication date of this annual report, there is no significant change or impact of law on PTI’s operations.

(5) Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales:

The semiconductor industry, where PTI belongs to, is under rapid changes in products and technology. To adapt to these rapid changes, PTI needs to upgrade its processes and develop new technologies constantly, upgrade its equipment, and expand its capacities in a timely manner. To reduce the risks of overexpansion at the same time keep up with the product development trend, PTI has established collaborative relationships and co-op with strategic alliances with major customers to develop advanced technology capabilities. In addition, PTI has invested in related industries to form a complete supply chain network and diversify the risks caused by market changes. PTI also strengthen its cost control and cash management skills to maintain competitiveness and eliminate the impacts of changes in technology and in industry relating to corporate finance and sales.

PTI has implemented measures to protect the information security of our networks and computers. There are also established rules and procedures for information security risk management.

1. Different assets may face different risks. Methods for assessing or calculating asset value were adjusted to make them more appropriate to the nature of the unit.
2. The basic information security requirements are data confidentiality, integrity and usability. These ensure the appropriateness and effectiveness of related regulations and processes.
3. Information security insurance is an emerging risk type that involves information security rating organizations, claim assessment organizations, and no-compensation clauses. To mitigate potential losses due to information security incidents, information security insurance policy with up to US\$5 million in coverage was purchased by PTI in 2023.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

Since the establishment of the Company, PTI has consistently maintained an ethical business practices, and has actively strengthened its internal and quality management to build up customer trusts. PTI has a good corporate image and there has been no corporate crisis in recent years caused by changes in corporate image.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

No plan of merger and acquisition as of the date of printing.

(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

No significant plan of factory expansion as of the date of printing.

(9) Risks Relating to and Response to Excessive Concentration on Supply Sources and Customer

The supply sources and major customers of the Company have been disclosed in related sections of this report. As the concentration level of the upper stream memory IC markets gets intense, sales of the downstream packaging and testing providers will get more concentrated. PTI has proactively developed new customers, collaborative relationships, and strategic alliances with existing customers to eliminate the highly customer concentrated risks. PTI has also actively reached out to non-memory IC packaging and testing business. The results are noticeable. In terms of supply sources, PTI has been actively seeking qualified alternative suppliers to reduce the risks of excessive concentration.

(10) Effects, Risks, and Solution for Share Transfers of Shareholders with 10% Or More Shares:

None

(11) Effects, Risks, and Solution of Changes in Control over the Company: None.

(12) For litigation or non-litigious matters, clearly state if the Company or the Company's directors, supervisors, president, actual person in charge, shareholders with 10% shareholdings or more, and affiliated companies that have been concluded or pending major litigations, non-litigation or administrative litigation matters, whose outcome may have major impact on shareholders' equity or securities prices:

1. The Company's major litigations, non-litigation or administrative litigation matters: None.

2. Major litigations, non-litigation or administrative litigation matters of the Company's directors, supervisors, president, actual person in charge, shareholders with 10% shareholdings or more and affiliated companies: None.

(13) Other Important Risks and Remedies: None.

7. Other Important Matters: None.