



Management Report for Third Fiscal Quarter 2022

Hsinchu, Taiwan, November 9th, 2022 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 30th September, 2022.

Executive Summary

- Q3 2022 revenue was NT\$ 790.61 million, down 0.7% sequentially but up 33% year-over-year. Operating income decreased by 3.2% sequentially but increased 40.7% year-over-year. EPS was NT\$ 5.45, and ROE was 63.7%.
- Decline in licensing this year was due to waiving technology license fees but increasing production royalties for several foundries to accelerate the development of licensed technology platforms, especially for MTP-related technologies. We expect license to grow significantly next year driven by PUF-related solutions.
- The growth momentum of royalty will be driven by penetration rate increase from 28nm, 12/16nm, and 6/7nm.

Financial Results

(Amounts in thousands of NT\$)

	Q3 2022	Q2 2022	Change (QoQ)	Q3 2021	Change (YoY)	Q1-Q3 2022	Q1-Q3 2021	Change (YoY)
Revenue	790,608	796,292	-0.7%	594,277	33.0%	2,314,007	1,732,426	33.6%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	345,160	336,197	2.7%	277,611	24.3%	995,203	795,335	25.1%
Operating Income	445,448	460,095	-3.2%	316,666	40.7%	1,318,804	937,091	40.7%
Operating Margin	56.3%	57.8%	-1.5ppts	53.3%	3.0ppts	57.0%	54.1%	2.9ppts
*Net Income	406,430	408,924	-0.6%	277,181	46.6%	1,181,373	813,894	45.2%
Net Margin	50.9%	51.5%	-0.6ppt	46.3%	4.6ppts	50.7%	46.7%	4.0ppts
EPS (NT\$)	5.45	5.48	-0.5%	3.72	46.5%	15.84	10.92	45.1%
ROE	63.7%	69.5%	-5.8ppts	53.2%	10.5ppts	61.7%	52.1%	9.6ppts

*Net income attributable to Shareholders of the Company

Revenue Analysis

(Amounts in thousands of NT\$)

	Q3 2022	Q2 2022	Change (QoQ)	Q3 2021	Change (YoY)	Q1-Q3 2022	Q1-Q3 2021	Change (YoY)
Licensing	144,631	200,729	-27.9%	188,667	-23.3%	536,968	540,219	-0.6%
Royalty	645,997	595,563	8.5%	405,610	59.3%	1,777,039	1,192,207	49.1%
Total	790,608	796,292	-0.7%	594,277	33.0%	2,314,007	1,732,426	33.6%

(Amounts in thousands of US\$)

	Q3 2022	Q2 2022	Change (QoQ)	Q3 2021	Change (YoY)	Q1-Q3 2022	Q1-Q3 2021	Change (YoY)
Licensing	4,829	6,878	-29.8%	6,778	-28.8%	18,582	19,237	-3.4%
Royalty	21,616	20,425	5.8%	14,584	48.2%	61,425	42,385	44.9%
Total	26,445	27,303	-3.1%	21,362	23.8%	80,007	61,622	29.8%

Revenue analysis by technology

Technology	Q3 2022								
	Total Revenue			Licensing Revenue			Royalty Revenue		
	% of Q3 Revenue	Change (QoQ)	Change (YoY)	% of Q3 Licensing	Change (QoQ)	Change (YoY)	% of Q3 Royalty	Change (QoQ)	Change (YoY)
NeoBit	34.3%	-3.9%	17.7%	26.2%	-14.5%	-2.9%	36.2%	-2.0%	21.9%
NeoFuse	57.7%	6.1%	54.4%	46.5%	-28.6%	-28.1%	60.2%	15.8%	92.6%
PUF-Based	2.8%	-53.9%	685.4%	13.7%	-57.8%	611.7%	0.3%	209.5%	23,455.6%
MTP	5.2%	13.8%	-37.1%	13.6%	28.1%	-63.1%	3.3%	3.3%	78.0%

Technology	Q1-Q3 2022					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of Q1-Q3 Revenue	Change (YoY)	% of Q1-Q3 Licensing	Change (YoY)	% of Q1-Q3 Royalty	Change (YoY)
NeoBit	34.5%	14.9%	21.8%	0.7%	38.3%	17.7%
NeoFuse	56.9%	51.9%	53.2%	-0.3%	58.0%	77.8%
PUF-Based	3.3%	641.3%	13.7%	610.4%	0.2%	36,222.2%
MTP	5.3%	-23.6%	11.3%	-52.3%	3.5%	80.7%

- NeoBit : OTP technology covers from 0.5um to 55nm.
- NeoFuse : OTP technology covers mainly from 0.18um to 5nm.
- PUF-Based : PUF technology covers mainly from 55nm to 5nm.
- MTP : MTP technology covers from 0.35um to 22nm, offering high-density memory and allowing up to 100K rewritable times with zero additional masking layers.

Royalty revenue analysis by wafer size (8-inch vs 12-inch)

Wafer Size	Q3 2022			Q1-Q3 2022	
	% of Q3	Change (QoQ)	Change (YoY)	% of Q1-Q3	Change (YoY)
8-inch	46.7%	-0.8%	42.3%	49.3%	37.8%
12-inch	53.3%	18.1%	77.9%	50.7%	62.0%

Key Business Developments

Licensing

- Technology License
 - ✓ 4 licensing contracts were signed during this quarter.
 - ✓ As of September 30th, 2022, we have technologies under development for the adoption of 130 different process platforms, ranging from 0.25um to 5nm.

Development of Key Technologies

	4/5nm	6/7nm	12/16nm	22/28nm	40nm	55/65nm	80/90nm	0.11/ 0.13um	0.152/0.16/ 0.18um	0.25um	0.3/ 0.35um	0.4/ 0.5um	Total
Qualified	0	4	6	43	21	36	31	95	224	42	53	11	566
Developing	4	1	7	12	7	26	14	23	35	1	0	0	130

- Design License
 - ✓ A total of 149 product tape-outs occurred in the third-quarter of 2022, remaining at a high level.
 - 3 tape-outs at 6nm/7nm for Multimedia, AI SoC and Advanced SoC.
 - 1 tape-out at 12nm/14nm/16nm for SSD Controller.
 - 17 tape-outs at 22nm/28nm for Sensor-related, MCU, OLED Driver, Network IC, Multimedia, T-con and others.
 - 11 tape-outs at 40nm for PMIC, Sensor-related, OLED Driver and others.
 - 22 tape-outs at 55nm/63nm/65nm for PMIC, Sensor-related, MCU, OLED Driver, LCD Driver, TDDI, HDMI, Audio, LED Driver, Touch and others.
 - 8 tape-outs at 80nm/90nm for PMIC, LCD Driver and LED Driver.
 - 22 tape-outs at 0.13um for PMIC, Sensor-related, MCU, LCD Driver, TDDI, HDMI and others.
 - 63 tape-outs at 0.18um for PMIC, Sensor-related, Fingerprint, MCU, LCD Driver, Network IC, Clock, USB and others.
 - 2 tape-outs at 0.25um for PMIC and Fingerprint.



- ✓ As of September 30th, 2022, eMemory's cumulative number of design licenses has increased to 6,353—a direct result of our ongoing effort in expanding and diversifying our technologies for adoption in a wide range of applications.

Future Growth Drivers

License

- Decline in licensing this year was due to waiving technology license fees but increasing production royalties for several foundries to accelerate the development of licensed technology platforms, especially for MTP-related technologies. We expect license to grow significantly next year driven by PUF-related solutions.

Royalty

- The growth momentum of royalty will be driven by penetration rate increase from 28nm, 12/16nm, and 6/7nm.

New IP Technology and Business Development

- NeoFlash technology platforms are developed in several foundries, targeting embedded flash market.
- Our PUF-based Secure Crypto Coprocessor IP (PUFcc) is PSA Certified Level 2 Ready which will accelerate the adoptions on Arm's platform.
- PUF-based IPs have completed N5 tape-out and is moving to N4/N3.

Financial Review

Gross margin

The gross margin remained at 100%.

Operating expenses

- The total operating expenses in Q3 2022 were NT\$ 345.16 million and represented 43.7% of the total revenue. The operating expenses increased 24.3% from the previous year. The annual increase was mainly attributable to the increase in salary and other related human resource expenses, such as the increase in bonuses and rewards.

Non-operating items and income tax expense

- Non-operating items for the quarter were NT\$ 40.01 million, which increased 162.8% sequentially and 521.7% year-over-year. The increase in non-operating items were due to benefits derived from the depreciation of the Taiwan dollar this quarter.
- Q1-Q3 2022 effective tax rate was 15.5%.

Net Income and EPS

- Net income attributable to shareholders of the company for the quarter was NT\$ 406.43 million, a decrease of 0.6% sequentially but an increase of 46.6% year-over-year.
- Earnings per share were NT\$ 5.45 in Q3 2022. ROE was 63.7%

Current assets and current liabilities

- As of September 30th, 2022, cash increased by NT\$ 587.75 million from September 30th, 2021 to NT\$ 2,488.22 million.
- Total current assets including cash totaled NT\$ 2,759.06 million, with an increase of NT\$ 588.87 million from September 30th, 2021. The increase was due to growth related to revenue and profit.
- Total current liabilities increased by NT\$ 125.21 million from September 30th, 2021 to NT\$ 650.52 million primarily as a result of growth in revenue resulting in increasing employee bonuses and compensations.
- The net working capital was NT\$ 2,108.54 million and the current ratio was 4.2x.

Cash flows

- As of September 30th, 2022, net cash generated from operating activities totaled NT\$ 1,088.10 million, including NT\$ 1,388.88 million from income before income tax, NT\$ 54.47 million from depreciation and amortization, and NT\$ 355.25 million used in other operating activities, which included tax payment of NT\$ 283.88 million.
- Net cash used in investing activities was NT\$ 61.96 million from Q1-Q3 2022, primarily related to capital investment.
- Net cash used in financing activities was NT\$ 1,055.29 million in Q1-Q3 2022 mainly attributable to cash dividends paid.
- As a result, total cash increased from NT\$ 1,900.46 million to NT\$ 2,488.22 million from September 30th, 2021 to September 30th, 2022.

Employee

- As of September 30th, 2022, eMemory has 279 full-time employees, including 194 R&D engineers. Our subsidiaries, PUFsecurity has 37 full-time employees, including 20 R&D engineers, and eMemory Japan has 7 full-time employees, including 4 R&D engineers.

Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with the semiconductor and intellectual property business. We believe that the expectations reflected in these statements are reasonable. However, they may be affected by a variety of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures in customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Unless as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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-Financial Statements to Follow-



eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)			September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$ 2,488,216	75	\$ 2,482,765	78	\$ 1,900,464	70	Contract liabilities - current	\$ 82,310	2	\$ 76,943	3	\$ 77,222	3
Accounts receivable - net	238,959	7	102,669	3	222,133	8	Other payables	146,339	4	152,271	5	104,781	4
Other receivables	525	-	5,271	-	3,729	-	Other payables - related parties	45	-	-	-	55	-
Other receivables - related parties	-	-	-	-	379	-	Bonuses payable to employees and directors	348,978	11	254,989	8	227,910	8
Prepayments	27,484	1	27,260	1	39,402	2	Payables on equipment	1,914	-	9,763	-	4,118	-
Other current assets	3,876	-	3,854	-	4,087	-	Current tax liabilities	65,948	2	140,661	4	107,103	4
Total current assets	<u>2,759,060</u>	<u>83</u>	<u>2,621,819</u>	<u>82</u>	<u>2,170,194</u>	<u>80</u>	Lease liabilities - current	3,283	-	3,230	-	1,911	-
							Other current liabilities	1,703	-	1,928	-	2,207	-
							Total current liabilities	<u>650,520</u>	<u>19</u>	<u>639,785</u>	<u>20</u>	<u>525,307</u>	<u>19</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income - noncurrent	6,139	-	16,130	1	13,104	-	Deferred tax liabilities	1,479	-	-	-	-	-
Financial assets at amortized cost - noncurrent	116	-	116	-	114	-	Lease liabilities - noncurrent	3,068	-	5,532	-	3,517	-
Investment accounted for using the equity method	14,989	1	3,083	-	3,637	-	Net defined benefit liabilities - noncurrent	18,610	1	19,190	1	20,641	1
Property, plant and equipment	459,826	14	460,310	15	451,413	17	Guarantee deposits received	10	-	10	-	530	-
Right-of-use assets	6,251	-	8,686	-	5,363	-	Total non-current liabilities	<u>23,167</u>	<u>1</u>	<u>24,732</u>	<u>1</u>	<u>24,688</u>	<u>1</u>
Intangible assets	80,642	2	72,436	2	74,399	3	Total liabilities	<u>673,687</u>	<u>20</u>	<u>664,517</u>	<u>21</u>	<u>549,995</u>	<u>20</u>
Deferred tax assets	-	-	4,257	-	3,118	-							
Prepayments for equipment	-	-	-	-	3,300	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Refundable deposits	499	-	471	-	461	-	Ordinary shares	761,845	23	761,235	24	760,876	28
Total non-current assets	<u>568,462</u>	<u>17</u>	<u>565,489</u>	<u>18</u>	<u>554,909</u>	<u>20</u>	Capital surplus	212,612	6	303,181	10	289,500	11
							Retained earnings						
							Legal reserve	635,956	19	526,270	16	526,270	19
							Special reserve	30,985	1	60,101	2	60,101	2
							Unappropriated earnings	1,396,876	42	1,259,813	40	971,297	36
							Total retained earnings	<u>2,063,817</u>	<u>62</u>	<u>1,846,184</u>	<u>58</u>	<u>1,557,668</u>	<u>57</u>
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations	416	-	(112)	-	(95)	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(4,461)	-	(30,874)	(1)	(33,900)	(1)
							Total other equity	(4,045)	-	(30,986)	(1)	(33,995)	(1)
							Treasury shares	(404,238)	(12)	(404,238)	(13)	(404,238)	(15)
							Total equity attributable to shareholders of the Company	2,629,991	79	2,475,376	78	2,169,811	80
							NON-CONTROLLING INTERESTS	23,844	1	47,415	1	5,297	-
							Total equity	<u>2,653,835</u>	<u>80</u>	<u>2,522,791</u>	<u>79</u>	<u>2,175,108</u>	<u>80</u>
TOTAL	<u>\$3,327,522</u>	<u>100</u>	<u>\$3,187,308</u>	<u>100</u>	<u>\$2,725,103</u>	<u>100</u>	TOTAL	<u>\$3,327,522</u>	<u>100</u>	<u>\$3,187,308</u>	<u>100</u>	<u>\$2,725,103</u>	<u>100</u>



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$790,608	100	\$594,277	100	\$2,314,007	100	\$1,732,426	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>790,608</u>	<u>100</u>	<u>594,277</u>	<u>100</u>	<u>2,314,007</u>	<u>100</u>	<u>1,732,426</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	59,355	7	39,622	7	154,558	7	114,161	7
General and administrative expenses	76,093	10	66,174	11	216,023	9	188,826	11
Research and development expenses	212,655	27	171,252	29	625,110	27	502,598	29
Expected credit (gain) loss	(2,943)	-	563	-	(488)	-	(10,250)	(1)
Total operating expenses	<u>345,160</u>	<u>44</u>	<u>277,611</u>	<u>47</u>	<u>995,203</u>	<u>43</u>	<u>795,335</u>	<u>46</u>
OPERATING INCOME	<u>445,448</u>	<u>56</u>	<u>316,666</u>	<u>53</u>	<u>1,318,804</u>	<u>57</u>	<u>937,091</u>	<u>54</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	3,215	-	1,570	-	8,114	-	5,447	-
Other income	1,305	-	1,117	-	2,050	-	3,566	-
Other gains and losses	36,223	5	4,428	1	62,219	3	6,563	1
Finance costs	(34)	-	(20)	-	(114)	-	(69)	-
Share of loss of associates	(701)	-	(660)	-	(2,196)	-	(2,006)	-
Total non-operating income and expenses	<u>40,008</u>	<u>5</u>	<u>6,435</u>	<u>1</u>	<u>70,073</u>	<u>3</u>	<u>13,501</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	485,456	61	323,101	54	1,388,877	60	950,592	55
INCOME TAX EXPENSE	<u>83,400</u>	<u>10</u>	<u>47,948</u>	<u>8</u>	<u>214,842</u>	<u>9</u>	<u>142,095</u>	<u>8</u>
NET PROFIT	<u>402,056</u>	<u>51</u>	<u>275,153</u>	<u>46</u>	<u>1,174,035</u>	<u>51</u>	<u>808,497</u>	<u>47</u>

(Continued)



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended				For the Nine Months Ended			
	September 30				September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive (loss) income	(4,043)	(1)	600	-	(5,337)	-	20,630	1
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	257	-	(2)	-	631	-	(76)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(3)	-	-	-	2	-	-	-
Other comprehensive (loss) income	(3,789)	(1)	598	-	(4,704)	-	20,554	1
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$398,267</u>	<u>50</u>	<u>\$275,751</u>	<u>46</u>	<u>\$1,169,331</u>	<u>51</u>	<u>\$829,051</u>	<u>48</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$406,430	52	\$277,181	47	\$1,181,373	51	\$813,894	47
Non-controlling interests	(4,374)	(1)	(2,028)	(1)	(7,338)	-	(5,397)	-
	<u>\$402,056</u>	<u>51</u>	<u>\$275,153</u>	<u>46</u>	<u>\$1,174,035</u>	<u>51</u>	<u>\$808,497</u>	<u>47</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$402,590	51	\$277,780	47	\$1,176,564	51	\$834,455	48
Non-controlling interests	(4,323)	(1)	(2,029)	(1)	(7,233)	-	(5,404)	-
	<u>\$398,267</u>	<u>50</u>	<u>\$275,751</u>	<u>46</u>	<u>\$1,169,331</u>	<u>51</u>	<u>\$829,051</u>	<u>48</u>
EARNINGS PER SHARE								
Basic	<u>\$ 5.45</u>		<u>\$ 3.72</u>		<u>\$ 15.84</u>		<u>\$ 10.92</u>	
Diluted	<u>\$ 5.43</u>		<u>\$ 3.71</u>		<u>\$ 15.77</u>		<u>\$ 10.89</u>	

(Concluded)



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Company												Total Equity
	Equity Attributable to Shareholders of the Company						Other Equity		Treasury Shares	Total	Non-Controlling Interests		
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings		Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
Number of Shares (In Thousands)	Amount	Special Reserve			Unappropriated Earnings	Total							
BALANCE, JANUARY 1, 2021	76,060	\$ 760,592	\$ 391,907	\$ 455,518	\$ 65,586	\$ 787,007	\$ 1,308,111	(\$ 26)	(\$ 60,075)	(\$ 404,238)	\$ 1,996,271	\$ 9,372	\$ 2,005,643
Appropriation of 2020 earnings													
Legal reserve	-	-	-	70,752	-	(70,752)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(5,485)	5,485	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(558,792)	(558,792)	-	-	-	(558,792)	-	(558,792)
Changes in percentage of ownership interests in subsidiaries	-	-	475	-	-	-	-	-	-	-	475	(475)	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	126	-	-	-	-	-	-	-	126	-	126
Issuance of cash dividends from capital surplus	-	-	(111,759)	-	-	-	-	-	-	-	(111,759)	-	(111,759)
Net profit (loss) for the nine months ended September 30, 2021	-	-	-	-	-	813,894	813,894	-	-	-	813,894	(5,397)	808,497
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	(69)	20,630	-	20,561	(7)	20,554
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	813,894	813,894	(69)	20,630	-	834,455	(5,404)	829,051
Issuance of ordinary shares under employee share options	28	284	8,751	-	-	-	-	-	-	-	9,035	1,759	10,794
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	45	45
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(5,545)	(5,545)	-	5,545	-	-	-	-
BALANCE, SEPTEMBER 30, 2021	76,088	\$ 760,876	\$ 289,500	\$ 526,270	\$ 60,101	\$ 971,297	\$ 1,557,668	(\$ 95)	(\$ 33,900)	(\$ 404,238)	\$ 2,169,811	\$ 5,297	\$ 2,175,108
BALANCE, JANUARY 1, 2022	76,124	\$ 761,235	\$ 303,181	\$ 526,270	\$ 60,101	\$ 1,259,813	\$ 1,846,184	(\$ 112)	(\$ 30,874)	(\$ 404,238)	\$ 2,475,376	\$ 47,415	\$ 2,522,791
Appropriation of 2021 earnings													
Legal reserve	-	-	-	109,686	-	(109,686)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(29,116)	29,116	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(931,990)	(931,990)	-	-	-	(931,990)	-	(931,990)
Changes in percentage of ownership interests in subsidiaries	-	-	(11,642)	-	-	-	-	-	-	-	(11,642)	11,642	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	14,100	-	-	-	-	-	-	-	14,100	-	14,100
Issuance of cash dividends from capital surplus	-	-	(111,839)	-	-	-	-	-	-	-	(111,839)	-	(111,839)
Net profit (loss) for the nine months ended September 30, 2022	-	-	-	-	-	1,181,373	1,181,373	-	-	-	1,181,373	(7,338)	1,174,035
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	-	528	(5,337)	-	(4,809)	105	(4,704)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	1,181,373	1,181,373	528	(5,337)	-	1,176,564	(7,233)	1,169,331
Issuance of ordinary shares under employee share options	61	610	18,812	-	-	-	-	-	-	-	19,422	1,638	21,060
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	382	382
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(31,750)	(31,750)	-	31,750	-	-	-	-
BALANCE, SEPTEMBER 30, 2022	76,185	\$ 761,845	\$ 212,612	\$ 635,956	\$ 30,985	\$ 1,396,876	\$ 2,063,817	\$ 416	(\$ 4,461)	(\$ 404,238)	\$ 2,629,991	\$ 23,844	\$ 2,653,835



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,388,877	\$ 950,592
Adjustments for:		
Depreciation expenses	29,344	30,520
Amortization expenses	25,129	13,885
Expected credit gain	(488)	(10,250)
Finance costs	114	69
Interest income	(8,114)	(5,447)
Dividend income	(932)	(226)
Share-based payments	382	45
Share of loss of associates	2,196	2,006
Loss on disposal of property, plant and equipment	-	26
Gain on disposal of investments	(86)	(85)
Net (gain) loss on foreign currency exchange	(49,600)	2,600
Changes in operating assets and liabilities		
Accounts receivable	(120,085)	(95,959)
Other receivables	5,118	(3,604)
Other receivables - related parties	-	(102)
Prepayments	(163)	(15,691)
Other current assets	(22)	(825)
Contract liabilities	5,367	26,420
Other payables	(6,028)	(31,829)
Other payables- related parties	45	55
Other current liabilities	(225)	73
Net defined benefit liabilities	(580)	(592)
Bonuses payable to employees and directors	<u>93,989</u>	<u>63,513</u>
Cash generated from operations	1,364,238	925,194
Interest received	7,742	5,427
Income tax paid	(<u>283,880</u>)	(<u>121,784</u>)
Net cash generated from operating activities	<u>1,088,100</u>	<u>808,837</u>

(Continued)



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 4,654	\$ 28,563
Acquisition of financial assets at fair value through profit or loss	(370,000)	(671,000)
Proceeds from disposal of financial assets at fair value through profit or loss	370,086	671,085
Acquisition of property, plant and equipment	(34,267)	(13,946)
Increase in refundable deposits	(28)	(103)
Acquisition of intangible assets	(33,335)	(11,470)
Increase in prepayments for equipment	-	(3,250)
Dividends received	<u>932</u>	<u>226</u>
Net cash (used in) generated from investing activities	(<u>61,958</u>)	<u>105</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(2,418)	(1,632)
Dividends paid	(1,043,820)	(670,536)
Exercise of employee share options	21,060	10,794
Interest paid	(114)	(69)
Decrease in non-controlling interests	(<u>30,000</u>)	<u>-</u>
Net cash used in financing activities	(<u>1,055,292</u>)	(<u>661,443</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>34,601</u>	(<u>1,146</u>)
NET INCREASE IN CASH	5,451	146,353
CASH AT THE BEGINNING OF THE PERIOD	<u>2,482,765</u>	<u>1,754,111</u>
CASH AT THE END OF THE PERIOD	<u>\$ 2,488,216</u>	<u>\$ 1,900,464</u>

(Concluded)